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Ethical Foods

International situation assessment, opportunities and threats

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International situation assessment, opportunities and threats

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Foreword

As incomes and welfare rise in affluent communities like Australia, ethical consumerism becomes a greater priority for a larger part of the population. The ethical food sector currently accounts for between 5% and 10% of the total food and beverage market.

While the term ethical foods embraces organics, it is more broadly scoped to include products that are ‘natural’, ‘fairtrade’, ‘free range’, ‘animal welfare friendly’, ‘environmentally responsible’ and ‘sustainably produced’.

The growth of the ethical food movement has implications for farming practices, environmental, energy and trade policy. The sector has captured the attention of the international food companies who have responded with investment and a range of new ethical products. More production and investment is planned in the period to 2015.

Reporting on the development of the ethical foods sector, this study addresses:

- Ethical food qualities and scope;
- Consumer requirements;
- Current and forecast market sizes;
- The international supply situation and the impact of ethical consumption;
- Ethical food trends and sector risks; and
- Australian agriculture opportunities and threats.

Recommendations are made in relation to awareness-raising for farmer organisations, policy makers and the Australian research and development community.

This report is an addition to RIRDC’s diverse range of over 2000 research publications and it forms part of our Global Challenges R&D program, which aims to collectively address challenges, whether impediments or opportunities, to improve the profitability and sustainability of Australian agriculture.

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Craig Burns
Managing Director
Rural Industries Research and Development Corporation

Abbreviations

ACCC	Australian Competition and Consumer Commission
ACF	Australian Conservation Foundation
AECL	Australian Egg Corporation Limited
ALFA	Australian Lot Feeders Association
APL	Australian Pork Limited
AQIS	Australian Quarantine Inspection Service
AWI	Australian Wool Innovation
BRS	Bureau of Resource Sciences
BSE	Bovine Spongiform Encephalopathy
CAFO	Concentrated Animal Feeding Operations
CERES	Centre for Education and Research in Environmental Strategies
CSR	Corporate Social Responsibility
DPI	Department of Primary Industries
EMS	Environmental Management System
ESD	Ecologically Sustainable Development
ESL	English as a Second Language
FAO	United Nation's Food and Agriculture Organisation
FLO	Fair Trade Labelling Organisation (international)
FRDC	Fish Research and Development Corporation
FTAANZ	Fair Trade Association of Australia and New Zealand
GBP	Great Britain Pounds
GFC	Global Financial Crisis
GM	Genetically Modified food
IFOAM	International Federation of Organic Agriculture Movements
IGD	Institute of Grocery Distribution (UK)
ISO	International Standardisation Organisation
LWA	Land & Water Australia
MLA	Meat and Livestock Australia
MSC	Marine Stewardship Council
NASAA	National Association for Sustainable Agriculture, Australia
NGOs	Non-Government Organisations
NRM	Natural Resource Management
OFA	Organic Federation of Australia
PETA	People for the Ethical Treatment of Animals
RDCs	Research and Development Corporations/Companies
RIRDC	Rural Industries Research and Development Corporation
RSPCA	Royal Society for the Prevention of Cruelty to Animals
SARDI	South Australian Research and Development Institute
SOLE	Sustainable, Organic, Local or Ethical food
SRDC	Sugar Research and Development Corporation
Stg	Sterling (Great Britain Pounds)
SWOT	Strengths Weaknesses Opportunities Threats analysis
UNE	University of New England
USDA	United States Department of Agriculture
WBRDC	Wine and Brandy Research and Development Corporation

Contents

Tables

Figures

Executive Summary

What the report is about

This report is an international situation assessment of the ethical foods movement and a strengths, weaknesses, opportunities and threats (SWOT) assessment for Australian agriculture. The Rural Industries Research and Development Corporation (RIRDC) funded the study as part of its Global Challenges program.

Who is the report targeted at?

The report is targeted at research managers in Research and Development Corporations/Companies (RDCs), policy makers and farmer organisations.

Background

An increasing number of consumers are making purchasing decisions informed not only by traditional factors like price and convenience, but also by ethical concerns about how their food was produced. These concerns include animal welfare issues, environmental protection, the working conditions of people producing the food, the impact of chemicals and other production methods and the impact on small local producers and businesses.

Aims/objectives

The objectives of this research were to:

- Identify ethical food attributes and apparent tradeoffs;
- Document consumer requirements and certification standards;
- Explore key demand locations and international sources of supply;
- Identify ethical food sector risks and emerging trends;
- Prepare an Australian ethical food sector SWOT; and
- Assess the trade implications of the growth in the ethical food movement for Australia.

Methods used

Project methods included literature review, analysis and consultation.

Results/key findings

Ethical Food Attributes and Project Scope

- Ethical products include a wide range of goods and services. This project focuses on ethical food, grocery and beverage products.
- There is no single universally accepted list of attributes for ethical foods. The four main elements within the ethical food category are (1) organic and natural, (2) fairtrade, (3) free range animal welfare friendly and (4) environmentally responsible and sustainably produced. The ethical food movement encompasses both environmental (e.g. sustainable production) and social issues (e.g. fairtrade).

- There are contradictions and tradeoffs between elements of the ethical food movement. For example choosing organic products may necessitate the generation of additional food kilometres. Universal compatibility is not the point of purchasing ethical foods. '*Thinking about the consequences of your consumption*' is the reason ethical foods are purchased.

Consumer Requirements and Certification

- Drivers for ethical food consumption include:
  - Better informed consumers
  - Rising First World incomes
  - Health concerns and
  - The desire for a better world.
- These drivers are described in the section below. Comment is also provided on the durability of the ethical food trend. With a variety of drivers, consumers respond quite differently to the range of ethical issues involved. Most (70%) focus on a small number of issues of interest to them. Top of mind when purchasing ethical foods in the UK and US are health, locally produced food and environmental issues. Fairtrade, animal welfare and free range have all become more important than organic food attributes to committed ethical consumers.
- Ethical consumers are seeking clear and unambiguous ethical food labelling and this is not being provided at the current time. Many certification schemes, some of which are third party audited, exist for each of the key ethical food attributes.

Market Size – Current and Forecast

- The UK, Western Europe, the USA and Canada have dominated the ethical food market for the last decade, accounting for 97% of organic and fairtrade sales. However, the growth of ethical food and drink sales in the emerging markets of India and China will challenge that dominance within the next few years.
- *UK*: The value of ethical food sales increased by 18% from 2007 to 2009, despite the Global Financial Crisis (GFC). Ethical food sales accounted for 8% of total food sales in 2009, up from 5% in 2006.
- *Western Europe*: Growth rates for organics vary country-to-country but most Western European nations reported 5% to 7% pa sales growth, even during the GFC. However, the organic markets in the UK and Germany suffered under the global downturn. Sales in the Netherlands, an early organics adopter, have been through a period of little growth, but have bounced back in 2010. Growth in European sales of Fairtrade foods in 2009 varied greatly, from 5% in Italy to 60% in Finland.
- *USA*: Ethical food sales rose to nearly $39 billion in 2010, up by 9% on the previous year. The US organic market is now the largest in the world, and accounts for 4% of total US food sales. The overall ethical foods business has been experiencing double-digit annual growth for most of this decade, compared to single digit growth for conventional products.
- *Canada*: Has followed comparable trends to the US and ethical foods make up a similar proportion of overall food and beverage sales.

- *Japan and Asia*: the organic sector is growing strongly in wealthy urbanised parts of Asia and especially in Japan. Natural and health oriented products are also beginning to have an impact. Free range, Fairtrade and the environment are less well developed. Asian consumers purchase ethical products for their health attributes.

- *Australia*: The ethical food movement is less well advanced in Australia than in either Europe or North America but more advanced than in Asia. Organics, for example accounts for one percent of total food and beverage sales. Growth in the ethical food sector is forecast at 10% pa for organics and 50% for fairtrade for the period through to 2015.

- *New Zealand*: Has embraced the ethical food movement at the same pace as Australia. Fairtrade sales have grown rapidly and an estimated 25% of New Zealanders are classified as 'solution seekers' interested in actively addressing ethical challenges.

- *Worldwide:* Organics is forecast to grow at 10% pa and fairtrade at 25% pa through to 2015. Growth will be supported by the ongoing mainstreaming of organic and ethical products in major supermarkets and the commitment to Fairtrade and other ethical labels by major brands and international companies. Even so, it needs to be remembered that these sectors are still niche markets and there is a long way to go before ethical consumerism occupies mass-market status.

International Supply and Impact

- *Organics*: First World supply is increasingly being augmented with imports including imports of raw organic commodities from the Third World and trade in processed organic foods. Demand for organic food is outstripping supply. Undersupplied sectors include fresh produce (fruit and vegetables), meat, dairy and ingredients for manufactured foods.

- *Fairtrade*: Growth in demand including demand for staples such as coffee, tea and bananas as well as additional commodities such as wine, sugar and rice. Fairtrade foods are supplied exclusively by the Third World. Fairtrade supply is outstripping demand.

- *Free Range and Animal Welfare Friendly*: Supplied by farmers in the First World to domestic consumers. Low levels of international trade in these ethical foods. Growth in demand is forecast over the medium term.

- *Environmentally Responsible and Sustainable Production Systems*: By their very nature, i.e. low in packaging, locally sourced and seasonally supplied; this group of ethical products is produced by domestic, often small-scale farmers in the First World for domestic consumption. Further growth in demand for environmentally responsible ethical foods is forecast.

- Available evidence suggests that First World consumers who seek out ethical foods are providing tangible benefits to both producers in the Third World and small-scale First World farmers. Firms that supply ethical foods and beverages are sometimes revitalising stagnant categories and commanding higher prices.

Ethical Food Sector Trends

- The fairtrade, animal welfare, free range, locally produced and environmental aspects of ethical foods are forecast to become even more important and grow at a faster rate than organics through to 2015. However, ethical foods will remain a niche. Consumers will demand more from their ethical products as this sector matures. For example, organic consumers are showing signs of requiring more from their suppliers in terms of independent product validation and the need to demonstrate additional value beyond simply recording the production system employed.

- Demand for processed ethical foods especially in the convenience food, baby food and snacks for children areas is expected to exhibit strong growth. New product development will also occur, particularly in the Fairtrade sector.

- Ethical foods currently command higher prices, but these margins are expected to narrow over time as consumers demand better value and multinational food companies enter the market and are able to achieve economies of scale¸ professionalise supply contracts and achieve supply chain performance.

- The presence of multinational food companies will provide the ethical food sector with additional growth and momentum.

Ethical Food Sector Risks

- As multinational food companies increasingly embrace ethical food production and marketing, consumers' concerns about 'green-washing' are also growing. They are becoming sceptical of the many competing claims now being made about the food and beverages they purchase and seeking certainty about the *bona fides* of labelling credentials. There is a risk that the market will lose credibility with some of its strongest advocates unless that certainty is provided.

- Ethical foods must battle against the 'moral hazard' of promoting what are essentially high priced low productivity luxury goods in a world currently pressed for sufficient food resources and experiencing a cyclical downturn in consumers' fortunes. This risk is noted, but is possibly overstated. Ethical food production systems are typically only marginally more expensive than conventional alternatives and the sector rebounded rapidly following the Global Financial Crisis.

- There is some risk that the ethical foods take-up might be derailed by interest groups like PETA overstepping the mark on what is palatable to the public – 'dolphin friendly tuna' was easily adopted by consumers but some of the animal welfare movement's more extreme campaigns may not receive public support.

Australian Agriculture SWOT Outcomes

The above ethical foods situation analysis was informally reviewed with stakeholders and used to prepare a SWOT assessment for Australian agriculture. Key analysis points include:

- *Strengths* in the Australian organic production base, traditional reliance on extensive grazing systems, strong international perception of a clean/green environment and conventional agriculture's adoption of EMS and other environmental performance demonstration systems.

- *Weaknesses* in the small scale and fragmented nature of organic production, the ineligibility of Australia to supply Fairtrade food grown by mainstream producers, conversion of traditional extensive grazing systems to intensive production, 'Brand Australia' possibly tarnished by current reliance on mulesing and live sheep / cattle export.

- *Opportunities* include the worldwide undersupply of organic products, partnerships with near neighbours to develop joint Fairtrade outcomes (e.g. Australian chocolate biscuits made with Fairtrade cocoa), possible participation in Fairtrade or similar by Indigenous Australians, opportunities to export Australian organic/ethical production know how and the capacity to achieve scale in environmentally responsible/sustainable production systems.

- *Threats* are the failure to supply consumers with a consistent ethical 'brand', the growth of Fairtrade into commodities that compete with Australian exports, regulations and boycotts that penalise Australian production and concern with the environmental damage done by all types of animal production.

Industry specific ethical food opportunities, including trade opportunities, are:

- Free range and natural grass fed beef and sheep meat production marketed to capture both ethical and good health advantages.
- Low intensity feedlots (opportunity feedlots) where stock has access to pastures and some grain supplements.
- Opportunities to continually improve animal welfare outcomes in sheep mulesing and in live sheep and cattle export destinations.
- Pig production that is free range, sow stall free and differentiates itself from intensive European and North American production.
- Fish from wild catch fisheries that are certified and third party audited as sustainable.
- Eggs that are free range or barn laid and continual consumer education to increase awareness of this current production offering.
- Sugar marketed in cooperation with sugar producers in, say, Fiji that may provide for joint ethical products.
- Organic and non-alcoholic wine with a wide range of European, North American and Asian niche opportunities.

Implications and recommendations for relevant stakeholders

The study recommends awareness-raising in relation to growth, into the mainstream, of the ethical foods movement. The sector currently accounts, or is forecast to account, for between 5% and 10% of the total food and beverage market in westernised affluent economies – Western Europe, North America, Australasia and parts of Asia. Large scale multinational food companies are incorporating ethical lines into their product offering and there are domestic and trade implications for Australian agriculture.

Awareness-raising is needed in groups such as:

- Farmer organisations so that they are in a position to educate both constituents and the broader community;
- Policy makers so that they are aware of the market consequences of both ethical food opportunities and threats; and
- The research and development communities so that resources are allocated to capitalise on opportunities and minimise threats for Australian agriculture.

Additional detail on these findings and project recommendations is provided in the body of the report.

1. Introduction

Purpose of the Study

This study provides an international situation assessment of the ethical foods movement and a strengths, weaknesses, opportunities and threats (SWOT) assessment for Australian agriculture. It was prepared for the Rural Industries Research and Development Corporation (RIRDC) as part of its Global Challenges program. The Global Challenges program relies on core funds provided by the Australian Government. AgEconPlus completed this study during 2007 – 08 and updated it in July 2011.

The project provides:

- Ethical food attributes and apparent tradeoffs;
- Consumer requirements and certification standards;
- Key demand locations and international sources of supply;
- Risks and emerging sector trends;
- Australian ethical food sector SWOT;
- Trade implications for Australia; and
- Conclusions and recommendations.

The project report includes an Australian ethical foods industry directory and an appendix defining terms used in association with ethical foods.

Method

Project method included:

- An international literature review with an emphasis on literature from the USA, Canada, Western Europe and Asia (see Appendix 1);
- An informal dialogue with other Research and Development Corporations/Companies (RDCs) that included scoping of cross-RDC collaborative opportunities as part of an RDC co-investment assessment and informal meetings through workshops and agricultural networks;
- Provision of an overview analysis and international ethical foods situation assessment;
- Research on Australian opportunities and threats revealed through the situation assessment;
- Development of conclusions and recommendations on the ‘so what’ for Australian agriculture and food supply chains; and
- Project reporting – preparation of a draft report and its circulation in 2007. The draft report was revised in light of comment received and the report was updated in 2011.

2. Ethical Food Attributes and the Scope of this Investigation

The Range of Ethical Products

The Cooperative Bank in the United Kingdom describes the market for ethical products and services as including the following segments:

- Ethical food and drink;
- 'Green' home improvements (e.g. solar water heating, grey water reuse systems, energy efficient light bulbs and white goods);
- Ethical personal products including humane cosmetics (e.g. Body Shop products), ethical fibres (such as fairtrade cotton) and eco-fashion products (e.g. clothes made from organic hemp or recycled plastics);
- Eco-travel and transport (e.g. eco-tourism destinations and green offsets for air travel);
- Ethical financial products (e.g. investment in companies with 'green' credentials); and
- Community activities (e.g. Landcare and the Cleanup Australia movement).

Of the various ethical product and service elements identified by the Bank, it is the ethical finance sector that is by far the largest value segment of the overall ethical market. However, in terms of worldwide *growth* in value, it is the ethical food and drink and ethical personal products segments that have seen the largest increases in the last few years (Cooperative Bank 2010).

Project Scope and Ethical Food Attributes

This project focuses on the ethical food sector and includes analysis of ethical food, grocery and beverage products.

There is no clear universally accepted definition of ethical foods and this study attempts to 'build up' a picture of the attributes that constitute ethical foods based on an understanding of the literature.

Main Elements Sought from Ethical Foods and Possible Tradeoffs

Most frequently the literature identifies ethical foods as including (1) organic and natural, (2) Fairtrade, (3) free range animal welfare friendly and (4) environmentally responsible and sustainable products. These elements (and other less mainstream attributes) are explored in this section. The section also includes a discussion of why the presence of each attribute is considered ethical, any issues with its supply to ethical consumers and the possible tradeoffs involved.

Organic and Natural

Ethical food definitions always include organic production (see for instance Cooperative Bank 2010, Packaged Facts 2011, IGD 2010 and Organic Monitor 2008). Organic refers to the production of food using a 'holistic systems approach' in the absence of artificial inputs such as the use of chemical fertiliser, pesticides and agents for plant and animal disease control (RIRDC 2006). Organic produce is considered to be an ethical choice because “its primary goal is to optimize [sic] the health and productivity of interdependent communities of soil life, plants, animals and people” (Codex Alimentarius quoted in Mitchell et al 2010).

In addition to organic the ethical food literature identifies a category of ‘natural’ products – with low or no processing of ingredients, hormone and antibiotic free and not containing genetically modified (GM) organisms. In Australia and the United Kingdom there is no agreed definition of natural, but there are developed standards for “natural” products in the United States. These include freedom from artificial flavour, colour and chemical preservative and that the product is minimally processed (Schuster 2007).

Worldwide, the organic production of food is an industry at the crossroads. It is rapidly moving away from its ‘cottage’ production base and embracing the corporate mainstream. For example, in Australia in 2009, 60% of all organic sales were made by supermarkets and 92% of sales were through store based retailing. Sales of processed organic products have also increased markedly and 21% of Australian operators are now classed as manufacturers/ processors (Mitchell et al 2010). This mainstreaming is embraced as success by some in the ethical food movement, but raises concerns for others about whether the underlying organic principles will be compromised in some way to meet the type and scale of demand.

There is also debate about the nature and extent of benefits of organic and natural foods compared to their conventional alternatives. While some studies claim that organic production leads to nutritional advantages, others dispute this. For example, researchers found that organically grown tomatoes contain more flavonoids than their conventional counterparts (Mitchell *et al* 2007) and organic kiwi fruit have higher levels of polyphenols and antioxidant activity. (Polyphenols help to reduce cholesterol and improve blood circulation, while antioxidants help to neutralise free radicals that can damage cells). Organic kiwi fruit also had higher levels of vitamin C (Richards 2007). But other studies have concluded that there is no scientific evidence that organic foods have any more nutrients than conventional foods (Dangour et al 2008).

Similar debates occur around “natural” foods. Wayne Bryden, Professor of Animal Science at the University of Queensland, argues that hormone and antibiotic free, a requirement of natural food, is little more than a marketing ploy and that consumer concern about hormones in chicken is one of the greatest food myths ever perpetuated. In addition to these debates, some argue that organic production is problematic as far as future global food shortages are concerned, because it requires increases in the total area under cultivation and results in reduced yields.

Conflict can also arise *between* the various elements of the ethical food movement, depending on which aspects are accorded priority. For example, the UK Soils Association, which certifies organic products, was accused in the past of betraying organic principles by approving salmon reared in cages and eggs from chickens that are kept in conditions some describe as inhumane.

Despite these debates, organics is the cornerstone of the international ethical food production and consumption movement, even with its industrialisation, ongoing debates about nutritional ‘sameness’, possible sporadic contamination, Third World implications and animal welfare issues. Consumers’ increasing requirement for a ‘natural’ and relatively simple product overlies the consumption of organic foods.

Fairtrade

The Fairtrade movement had its origins in the Netherlands in the late 1980s when the Max Havelaar Foundation (named after an 1860 novel critical of the Dutch colonial coffee trade) created a ‘fairtrade’ label for coffee sourced from Mexico. The label promised a fair price had been paid so farmers in the Third World were not undercut. These days the Fairtrade label also guarantees sustainable farming practices and a contribution to social development projects such as helping farmers with business skills and communities with schooling and health care. Fairtrade also embodies ethical codes of labour practice along the food supply chain and training is provided in emergency procedures, safer use of chemicals and safer working hours (Nelson & Pound 2010, Fletcher 2006).

Fairtrade is endorsed and promoted by the international charity Oxfam and is backed with labelling, certification and third party audit. Purchase of a Fairtrade product demonstrates consumers are socially aware and responsible. Fairtrade coffee led the way but the product range has increased and now includes tea, chocolate, bananas, sugar, wine, cotton and other food and non-food commodities. Fairtrade has experienced significant global growth in recent years, including throughout the Global Financial Crisis, thanks in large part to the adoption of the Fairtrade label by global brands and products including Cadbury Dairy Milk, Starbucks, Ben & Jerry's and Nestle Kit Kat (FLO 2010).

Outstanding issues in Fairtrade supply chains include discrimination, irregular employment and harsh treatment of hired labour (Institute of Development Studies UK in Fletcher 2006). Some Fairtrade detractors point to the need for a general *free* trade, rather than *fair* trade, deal. They argue that reducing the barriers to entry for exporters from the developing world would make more of an impact on the global food market and provide a positive boost to Third World producers (Lewis 2007).

Free Range and Animal Welfare Friendly

Free range means freedom for animals to live relatively 'natural' lives more in tune with traditional farming practices than modern factory farming or CAFO systems. In Australia, a range of organisations have developed standards of varying stringency regarding the production of eggs, chicken meat, pork and poultry, but there is no agreed, legally-enforceable definition. Sometimes other labels such as 'farm fresh' and 'all natural' are used as marketing tools, but have no supporting standards. A recent review of food labelling in Australia recommended that agreed free range standards be developed under the auspices of Standards Australia (Blewett et al 2011).

Intensive production systems are used in most western societies for the mass-market supply of eggs, chicken meat, pork, beef and dairy products. By consuming free range foods, consumers are demonstrating a preference for humanely produced products from animals that have led 'natural' lives and a rejection of the intensification of animal production systems and the indoor, grain-based feeding regimes that are the norm in the US and EU. Some ethical consumers also point to the poor conversion of grain to meat (1 kg of beef from 6 kg of grain) as an 'unethical' use of food resources (Schlosser 2007). Lamb feedlotting is a minor but growing intensive animal industry in Australia.

Four years ago, Australia's then chief Law Reform Commissioner, predicted that the push for animal rights could be the next great progressive movement in Australia and that food labels should be overhauled to include information on the treatment of animals (Weisbrot 2008). The reaction of the Australian public in 2011 to television footage documenting the mistreatment of Australian live cattle exports to Indonesia and the temporary ban imposed by the Federal Government on live exports, support his view that animal welfare is an issue of increasing concern to the general public.

As with other aspects of the ethical food movement, there is some debate about the actual impact of free range production on the welfare of animals. Compassion in World Farming argues that intensive production results in low cost eggs, meat and dairy, but that animals suffer (www.ciwf.org). Yet some studies have shown that free range production systems are not always the best from an animal welfare perspective, and that no housing system comes out in front on all welfare measures (Witcombe 2008). The criteria used to assess "welfare" vary significantly between studies and impact on results. (See also Downing 2005).

Practical responses to the ethical consumers' requirement for humanely treated animals are emerging. For example, dolphin-friendly tuna is an established animal welfare and environmentally friendly product that has attracted mainstream consumer support, although there is no independent regulation of the use of the dolphin-friendly label. Whole Foods stores in the US stopped selling live lobsters and crabs because they could not be sure they were being treated with ‘respect and compassion on the journey from the Maine Sea bed to the dining table’. In Australia, there are an increasing number of websites which compare animal welfare labels (see e.g. www.animalwelfarelabels.org.au). Other sites compare Australian and international sustainable seafood schemes (e.g. www.goodfishbadfish.org.au).

The United Nations Food and Agriculture Organisation (FAO) forecasts a doubling of world meat and milk consumption between 2001 and 2050 - production that is not even currently sustainable (see for example ‘Livestock’s Long Shadow’ FAO 2006). Ethical consumers argue that the world needs to find environmentally sustainable alternatives to these staple products right away.

Environmentally Responsible and Sustainable Production Systems

The ethical consumer is concerned with the purchase and consumption of food that is environmentally responsible. Elements of environmental responsibility relevant to ethical foods include (1) sustainable production, (2) locally produced, (3) seasonal, (4) food that is free from excessive packaging, and (5) sympathetic to waste reduction.

Sustainable production addresses the wild harvest, growing and husbandry of food without depleting production resources, creating off site impacts and setting productive land aside for wildlife habitat. The concept of sustainable production is firmly embedded in organic production philosophy and is increasingly being incorporated into conventional agricultural production through mainstream initiatives such as accredited and audited Environmental Management Systems (EMS). Ethical food production also makes provision for wildlife habitat in sustainable production systems.

Ethical consumers need to probe more than surface attributes when selecting sustainable foods. For example, fish grown on fish farms are not necessarily better than wild catch. The Australian Marine Conservation Society reports that for every tonne of farmed Atlantic salmon produced, around three tonnes of wild fish must be caught for feed, a ratio that is not sustainable. However, consumers also need to be aware that wild catch is not always a straightforward ethical choice: many local and imported species are classified as “overfished”: the Australian Government Bureau of Rural Sciences (BRS) reports that the number of local species classified as overfished is 15, down from a peak of 24 in 2005 (Wilson et al 2009).

Locally produced food advocates argue locally grown food is preferable as it keeps dollars in communities, supports small-scale farming and is better for the environment - reducing carbon emissions and packaging waste. Advocates of locally produced food or ‘locavores’, Oxford Dictionaries 2006 word of the year, talk in terms of ‘food kilometres’ – the distance food travels from field to plate. Simplistically, the more kilometres travelled, the more greenhouse gas is generated. A report by the Centre for Education and Research in Environmental Strategies (CERES) in Victoria showed that the contents of an average weekly shopping basket travelled 70,803km (Gaballa and Cranley 2008). This “shop local” concept has great support in Britain: one of the UK’s leading retailers, Marks and Spencer has reduced the amount of air-freighted food they sell and any that remains is labelled accordingly.

The ‘locavores’ concept is consistent with the growth of regional farmers’ markets that have ‘sprung up’ in the UK, North America and Australia. The ‘100 km Club’ is a further variation on the ‘locavores’ concept where consumers, often in partnership with the ‘Slow Food Movement’ (www.slowfood.com) restrict themselves to food grown within 100km of consumption.

Critics question the relevance of local production for ethical consumers, raising issues such as the implications for the Third World poor (who miss out on sales and market opportunities), and complexities such as a local farmer who might not produce in an ethically sound way (e.g. they might be anti union in their business practices). Furthermore, buying distantly produced food can contribute less to global warming when it is grown seasonally, in soils and climates naturally suited to its production and transported by sea – which is very efficient in terms of fossil fuel consumption. A study at Lincoln University in New Zealand demonstrated that the whole ‘food kilometres’ concept is far too simplistic when estimating a product’s total greenhouse gas footprint. Similar work has been completed showing the relatively higher carbon footprint for roses produced in hothouses in the Netherlands relative to the same product produced in Kenya (Cranfield University 2007).

Seasonal food, like locally produced food, typically doesn’t travel great distances nor require energy intensive greenhouse heating. Ethical consumers with an environmental value set suggest not buying items such as strawberries in winter, when they travel long distances. Buying at farmers’ markets also ensures seasonal purchases.

Food that is free from excessive packaging is also consistent with ethical consumption. The Australian Conservation Foundation (ACF) recommends the purchase of whole foods such as fresh vegetables and unbleached flours rather than food with high-embodied fossil fuel energy such as snack food with aluminium-lined packaging, freeze-dried instant coffee or individually wrapped sweets or biscuits. One of the worst environmental offenders in this regard, it is claimed, is bottled water. The non-profit organisation *Do Something* reports that Australians spend half a million dollars on bottled water annually, and estimates that 373 million plastic bottles end up as waste each year.

Another environmentally responsible attribute of concern to the ethical food consumer is being sympathetic to waste reduction. According to the Australia Institute, Australians threw away $5.2 billion worth of food in 2009, which they estimate is responsible for 5.25 mega tonnes of carbon emissions, a similar rate of pollution to the manufacture and supply of iron and steel in Australia (Baker et al 2009). Ethical consumers are concerned with purchasing only what is needed and seek reassurance that their consumption is not supported by huge volumes of waste. They strongly favour recycling (IGD 2007) and extreme elements of the ethical food movement advocate ‘dumpster diving’ to reclaim wasted food and beverage.

Other Attributes

Other attributes less frequently described in the literature include price (resistance to price based purchasing and a willingness to pay for other ethical attributes), use of boycotts to force ethical outcomes and a requirement by some producers/manufacturers that retailers are independent of the major chains.

Price: As might be expected, the price of food remains a key concern for consumers, along with quality. For many people, these more conventional drivers of purchasing behaviour must be acceptable before they will consider additional attributes including those associated with ethical food such as organic, natural and seasonal. But the literature is very clear that consumers increasingly also want to know where their food is coming from and how it is produced. A proportion of (ethical) consumers are prepared to pay additionally to secure the ethical food qualities described above. In Australia that proportion has been estimated at 11% (Mitchell et al, 2010).

Boycotts: These are advocated by some ethical foods consumers to ensure ethical outcomes for principles as diverse as the right to union membership for workers in First World enterprises to the shunning of products sold in a home market when marketing principles in another market are viewed as unconscionable. Ethical boycotts are particularly important in the UK where they are the next biggest segment of the ethical food market after organic (Cooperative Bank 2010).

Independent retailers: Some ethical producers/manufacturers require that retailers who stock their foods are independent of the major chains and will enforce supply boycotts to all but independent retailers.

In Summary – Ethical Food Attributes and Project Scope

- Ethical products include a wide range of goods and services. This project focuses on ethical food, grocery and beverage products.

- There is no single universally accepted definition of ethical foods. The four main elements within the ethical food category are (1) organic and natural, (2) fairtrade, (3) free range animal welfare friendly and (4) environmentally responsible and sustainably produced.

- Other attributes include a preparedness to pay more for ethical foods and a willingness to instigate boycotts and other actions to bring about ethical outcomes. Boycotting is an important part of the ethical food movement in some parts of the world.

- The ethical food movement encompasses both environmental (e.g. sustainable production) and social issues (e.g. fairtrade).

- There are contradictions and tradeoffs between elements of the ethical food movement. For example organics may necessitate the generation of additional food kilometres.

- Universal compatibility is not the point of purchasing ethical foods. '*Thinking about the consequences of your consumption*' is the reason ethical foods are purchased.

3. Consumer Requirements and Ethical Food Certification

Consumer Drivers for Ethical Foods

Drivers for ethical food consumption can be aggregated into four main areas: (1) better informed consumers, (2) rising First World incomes, (3) health concerns and (4) the desire for a better world. These drivers are described in the section below. Comment is also provided on the durability of the ethical food trend.

Better Informed Consumers

One of the major drivers behind the development of the ethical food movement is education and the increased awareness of other cultures and cuisines afforded by low cost travel and the internet. Consumers in many countries are now aware of the unfair treatment of developing world producers, the nature of factory farm production systems, supermarket power relative to small scale farmers, waste and the risks associated with 'cheap' and overly processed foods.

Consumers are also actively seeking out more information about the food they eat – how it is produced and under what conditions. That information is readily available in books, newspapers and on a plethora of internet sites dedicated to ethical food consumption from one angle or another: concern about health impacts, environmental impacts, animal welfare issues or social impacts on producers in third world countries. Recent consumer surveys in the UK and Europe found that 75% of food buyers are interested in the ethics of what they eat and half expect to buy more ethical food and groceries in the future (IGD 2010b & 2010c).

Rising First World Incomes

Rising First World incomes and a long term decline in the portion of total income allocated to food has 'freed up' purchasing power that has enabled consumers to be more selective in the foods they consume (Mintel Reports 2006). Some reversal in this long-term decline has been seen in the late 2000s with rising real food prices for the first time since the Second World War (Rayner et al 2011).

Health Concerns

An ageing, better-informed and wealthier population is rejecting food with possible negative health effects and seeking out healthy products for themselves and their families. Issues at the forefront of health focussed ethical consumers' minds when they purchase include:

- The need to seek out fresh whole food with its perceived higher vitamin, mineral and nutrient content.
- Products that are organic, free from preservatives, additives and chemicals especially in the form of snacks for children, which are forecast to move from 'trendy' to the 'mainstream' in the short to medium term. Recent Australian research revealed that four of the top five reasons for purchasing organic food were that it was *"free from"* something: chemicals, additives, hormones/ anitbiotics and GMOs (Mitchell et al 2010).
- Rejection of food imports from foreign corporates: food safety scares overseas have led to a marked increase in wariness about buying goods made in less regulated countries;

- The obesity epidemic and the link between obesity and the over-consumption of high salt and fat processed foods (Pearson et al 2010);

- Possible antibiotic and steroid residues in conventional food sources and the creation of 'new' diseases through factory farming practices. Concerns with the disease implications of factory farming came to the fore in the 1990s with the arrival of new threats such as BSE/Mad Cow Disease in the UK and new *E.coli* strains contaminating meat and vegetables in the US (Schlosser 2007). More recent outbreaks of Foot and Mouth Disease and Avian Influenza in South Korea and food scares in China have had a direct impact on the demand for organic food (Organic Monitor, 2011).

Consumers in focus groups also talk about the desire to create health and lifestyle 'debits and credits', drawing down indulgences such as alcohol and chocolate and creating credits through purchasing and consuming healthy ethical foods.

Organic and free range ethical food categories in particular are benefiting from this health concern driver.

Eating for a Better World

Ethical consumers are driven by a desire for a better world and the 'feel good factor' associated with their conscientious purchasing decisions. This major driver for the ethical food sector includes (1) anti large firm and supermarket sentiment, (2) greater media scrutiny and the desire by business to leave a more lasting legacy and (3) consumers' desire to 'do the right thing'.

Anti large firm and supermarket sentiment is present in all western economies including Australia. The latest Eye on Australia survey reports that 74% of Australians think that Coles and Woolworths have too much dominance (Eye on Australia, 2011). The 2008 *Report of the Australian Competition and Consumer Commission Inquiry into the Competitiveness of Retail Prices for Standard Groceries* examined a range of issues including consumer concern with rising food prices, the strong perception that "the gap between farm gate and check-out prices for groceries has been widening in recent times", and concerns about whether small, family-run independent businesses can compete with major supermarket chains. While the Inquiry found that "grocery retailing is workably competitive" the report noted the limited incentives for the big supermarkets to compete on price and discussed the buyer power of the big players which sometimes leave suppliers with few other options (ACCC, 2008).

Greater media scrutiny and the desire by business leaders to leave a more lasting legacy: Business leaders are increasingly responding to consumers' concerns about ethical issues and recognising that consumers' purchasing decisions will reflect these concerns. The Corporate Social Responsibility (CSR) movement that dates back to the 1950s encourages companies to consider not only their profitability but also their impact on all their stakeholders and society more broadly. CSR is increasingly being linked to "sustainability planning and reporting", where companies examine their impact on consumers, shareholders, employees, society and the environment, take active measures to improve it, and report against it publicly. Sir Terry Leahy, former CEO of Tesco, argued that the battle to win customers in the 21st century will "increasingly be fought not just on value for money, range and convenience, but on being good neighbours, behaving responsibly and seizing the environmental challenges" (Leahy, 2007).

UK retailer Marks and Spencer hit record low profits before switching to selling products that have been ethically produced and now enjoys record sales. Their "Plan A" includes detailed strategies across all aspects of ethical food including substantial increases in organic and Fairtrade sales, converting all fresh turkey, geese, duck and pork to free range by 2012, reducing packaging, selling pesticide-free fruit and vegetables by 2020, only using non-GM ingredients in M&S food, and a range of other environmental measures (Marks & Spencer, 2011).

Australia is acknowledged by business analysts to be five years behind this corporate responsibility ethos but is catching up. *The State of CSR Annual Review: 2010 – 2011* reports that 60% of those surveyed had implemented CSR structures and 80% of these believed it had strengthened their reputation. Reducing environmental impact and building understanding of CSR issues across organisations were the most important issues facing CSR managers this year (ACCSR 2011).

Consumers' desire to do the right thing – this includes:

- Payment of an appropriate price to Third World food and beverage producers – reflected in the Fairtrade and Rainforest Alliance movements.

- Concern about animal welfare – of increasing importance to consumers in Western countries around the world, including Australia.

- Purchasing food from sources that will not result in environmental damage – organics and the sustainability sector. Climate change concerns are further pushing all forms of environmental activism to the fore in consumer's minds.

- Food boycotts and seeking assurances that food consumed has not been sourced from corporates which practice anti-union and other unethical behaviour. This is less of a concern in Australia than in the UK and US.

There is also a certain consumer 'cool' in purchasing ethical foods among younger generations i.e. doing the right thing ethically is well regarded amongst one's peers.

Durability of the Ethical Food Movement Confirmed by Resilience to GFC

Over the years, some observers have suggested that ethical consumerism might be a fad. In reply in 2006, John Mackey, Whole Foods Market's US co-founder and CEO, stated emphatically that "Something that's been going on for 30 years is hardly a fad… It's a value system, a belief system. It's penetrating into the mainstream. I don't see that disappearing anytime soon."

By all indications he has been proven right. As explored in more detail below, the ethical food market has continued to enjoy strong growth globally for the last decade and looks set to continue to do so for the next decade. While many predicted that ethical foods would be early casualties of the Global Financial Crisis (GFC), for the most part the opposite occurred, with many ethical food categories exhibiting stronger growth than their conventional counterparts. Those that did experience slowed or declining growth have since rebounded strongly.

Consumer Types

In the UK, IGD (2010) classify consumers into five groups, according to the manner and extent to which they express ethical concerns in their purchasing behaviour. They are:

- Ethical evangelists – 8%

- Focussed Followers – 21%

- Aspiring activists – 28%

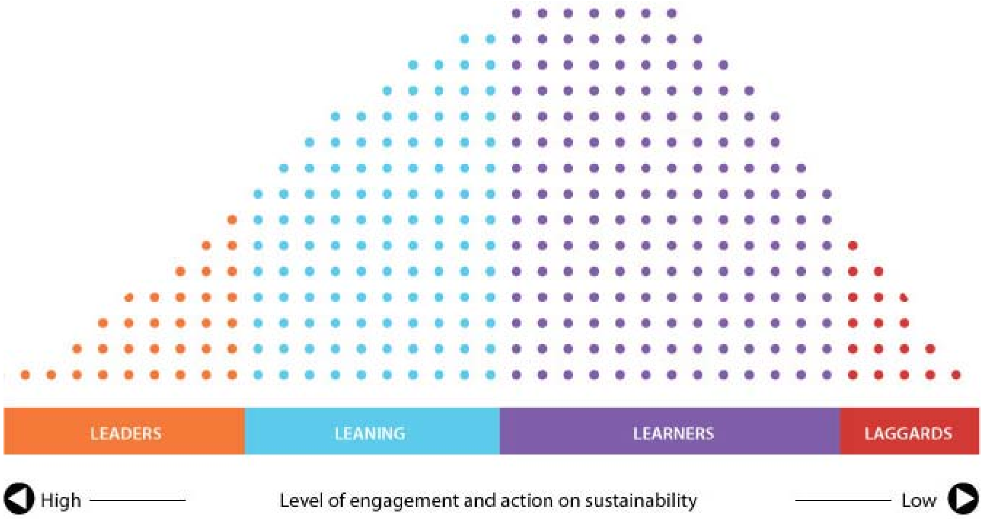
- Blinkered Believers – 26%

- Conscience Casuals – 16%

Many UK shoppers are very engaged with ethical issues. Ethical evangelists and focussed followers translate their interest in ethical issues into purchasing decisions, and accounted for almost 30% of shoppers. Aspiring activists were keenly interested but bought less ethical products, and less than one in five shoppers were 'conscience casuals' who showed no interest at all in ethical shopping (IGD, 2010).

Similar research in Australia has been conducted by the Mobium Group which has surveyed over 25,000 Australians since 2007 to understand their attitudes to health and sustainability. Mobium have classified Australian consumers into four groups:

- Leaders – have strong concerns about personal, community and planetary health and sustainability issues which shape their values and decisions. Highly knowledgeable and committed across ethical consumer categories.
- Leaning – moderate concerns and participate in selected ethical consumer categories but make trade-offs in their consumption choices.
- Learners – more recent awareness of health and sustainability issues. Less knowledge and more interested in personal than community and planetary aspects. Want to do the right thing but uncertain where to start.
- Laggards – low interest in health and sustainability. Future intention to participate in ethical consumer categories is low too.



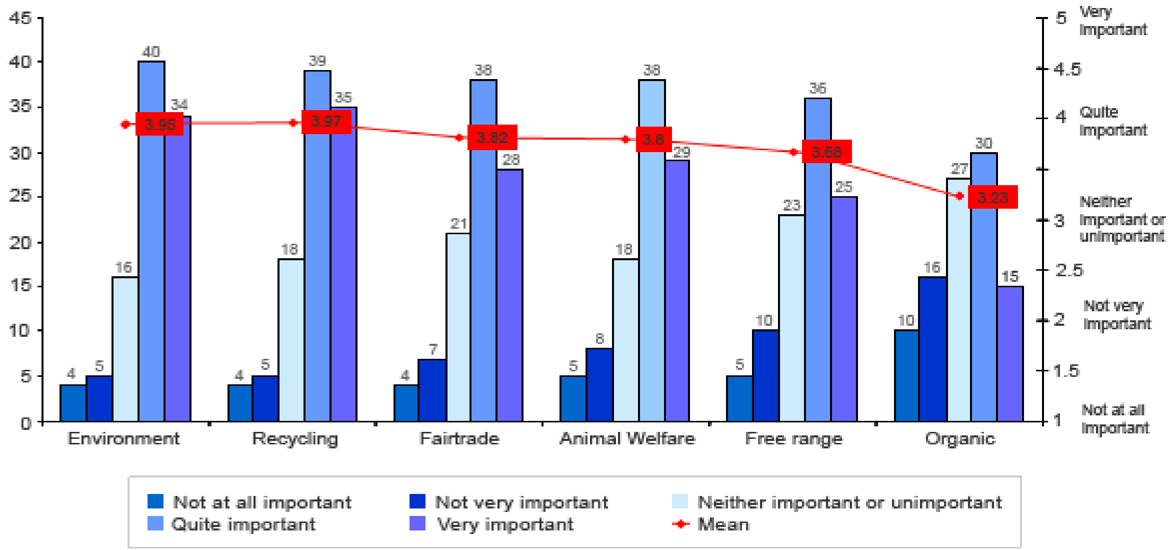
Source: Mobium Group Pty Ltd, Living LOHAS© Report, www.mobium.com.au Copyright Mobium Group 2007-2011

Figure 3.1 Ethical Consumer Segments in Australia

The evidence in the literature about the demographics of ethical consumers is not straightforward. While conventional wisdom (and some studies) suggests they are more likely to be affluent, well-educated, female and younger, other studies suggest few or no demographic generalisations can be made. Youth appears to be the only factor which is consistently reliable. The Mobium group suggests that while demographic indicators may not be good predictors, the strength of interest and belief in health and sustainability issues are.

Consumer Concerns and Priorities

Consumers are driven to make ethical purchases by many issues, and individuals respond to and rank those issues differently. Research by IGD reveals that only 7% of consumers are interested in every issue. Most (70%) focus on those issues of key importance to them. Consumers rank issues when making ethical purchase decisions, as shown in Figure 3.1.



Source: IGD website accessed August 2011

NB: Left vertical axis shows percentage of UK public that say they consider ethical issues to be important. Right vertical axis shows scale of importance that ranks from 1 (not at all important) to 5 (very important).

Figure 3.2 Importance of Ethical Issues in UK – Comparisons across Issues

Figure 3.1 shows that consumers are concerned about ethical issues. This graph from 2007 shows that a high percentage of the UK public say they consider ethical issues to be important. Top of mind in 2007 was environment and recycling. Fairtrade, animal welfare and free range were all more important than organic.

More recent research suggests that animal welfare issues and locally produced food have become significantly more important to UK consumers. In 2009, despite the GFC, animal welfare was the factor which had increased the most as a driver of product choice in the UK, with 20% of people mentioning it - up from 13% in 2008. Interest in local/ national groceries also grew strongly, cited as important by 62% of shoppers. In 2010, 31% of people said they expected to make more purchasing decisions on the basis of animal welfare issues in the future (IGD 2010). This research is supported by a recent study by the UK Department for Environment, Food and Rural Affairs (DEFRA) which compared attitudes and behaviour around sustainable food purchasing. 81% of households rated healthy, balance diet as important, followed by animal welfare (76%). Sustainably sourced fish and locally produced (British) food were close behind.

These UK findings on ethical consumer priorities are similar to survey results reported in the US, where several studies now show greater support for locally produced foods than for organic foods, particularly when the link is made to supporting farmers and the local economy. Health concerns are an extremely strong driver in the US, with the top three claims that US consumers consider make food “ethical” being healthy/ nutritious, no trans fats and no supplementary hormones (Context Marketing

2010). However, US consumers expressed a higher willingness to pay for ‘natural’ and ‘environmental’ attributes than animal welfare type concerns (Wilson 2008).

A survey across four European countries rated locally produced food of most interest, followed by animal welfare and Fairtrade, followed by organic. However, there were important variations within countries, with animal welfare concerns much higher in the UK and France than in Germany and Spain (IGD, 2010).

Australian data is less freely available. Research in 2010 found that 90% of adult consumers wanted retailers to offer eco-labelled products and over 80% of Australians wanted clearer and simpler information on the benefits and impacts of those products (Mobium Group quoted by FTAANZ 2011). Health and environmental concerns remain the most common reason for purchasing organic food, but animal welfare issues, non-GM and better tasting are also frequently cited (Mitchell et al, 2010).

International consumers also express a strong need for clear unambiguous labelling of ethical food products.

Certification of Ethical Foods

No single current label certifies all four ethical food attributes – organic, fairtrade, free range and environmentally responsible. Rather, a wide range of domestic and international certification systems, each with its own level of rigour, is used. According to the International Standardisation Organisation (ISO) (www.**iso**.org) these certification systems fall into three main categories:

- Self declared claims made by suppliers;
- Suppliers that claim to meet third party established standards without audit; and
- Suppliers that meet third party established standards with routine audit.

It is the third category that provides the highest level of assurance for ethical consumers.

It is also noted in the literature that certification may effectively constitute a form of protectionism, e.g. difficulty for small firms in developing countries to obtain eco-labels (Allen 2005).

Organic

In Britain there are several organic certification bodies, all of which conform to the standards laid down by the European Union. The UK Soils Association certifies over 80% of all products sold in the UK, and organic food products carrying the UK Soils Association label are third party audited.

Organic foods and beverages sold in the US are regulated by strict definitions developed by the US Department of Agriculture (USDA). Products must adhere to official standards and use third-party certification.

The European Union has an organic logo which came into effect on 1 July 2010. The logo is mandatory on all organic pre-packaged food products and voluntary for non-packaged goods and imports.

Australia has had a national organic standard for *export* since 1992 – the National Standard for Organic and Bi-Dynamic Produce. Seven different organisations are approved by the Australian Quarantine and Inspection Service (AQIS) as certifiers and products must be certified in order to be exported. Each organisation has its own label.

Organic products sold *domestically* in Australia are frequently certified by one of the seven AQIS approved certifiers (and carry their label), but may also carry a range of other labels including:

- international certifier labels on imported produce - some, but not all of which carry the key words 'certified organic';
- The voluntary AQIS Australian Government Certified mark;
- Supermarket chain organic labels;
- 'In conversion' labels for produce from farms in transition to organic systems; and
- Non-certified produce simply labelled 'organic', 'biodynamic', 'biological' or 'ecological'.

All of this is problematic for a consumer who wants to purchase organic products.

There was no national *domestic* standard until Standards Australia released a voluntary Australian Standard in October 2009. The Organic Federation of Australia (OFA) supported its development and considers that the standard provides the Australian Competition and Consumer Commission (ACCC) with a much firmer basis on which to prosecute misleading claims about organic products (Lue 2009).

There is also a real need to simplify the *labelling* of organic produce in Australia through adoption of a consistent label across the industry. The Organic Federation of Australia (OFA) has developed some new logos but there is currently no agreement across industry about whether a new or existing label should be used.

Fairtrade

There are several Fairtrade international umbrella federations. The largest, based in Bonn, Germany, Fairtrade International or FLO (formerly Fairtrade Labelling Organisation), has 24 members:

- 19 national labelling initiatives who license companies to use the Fairtrade logo in 15 European countries, the U.S., Canada, Japan, Australia and New Zealand;
- Three producer networks;
- Two marketing organisations.

FLO sets and reviews Fairtrade Standards. FLO-CERT certifies producers and traders in 60 countries. Labelling organisations licence companies to use the Fairtrade logo in countries where the products are sold. There are now 827 Fairtrade certified farmer and worker organisations in 60 countries and FLO estimates that 1.2 million workers benefit from Fairtrade sales. There are 27,000 Fairtrade products sold in 70 countries around the world.

The UK Fairtrade Foundation gives products their seal of approval in Britain and the Fairtrade mark is now recognised by 74% of UK shoppers, with 7 in 10 households in the UK purchasing Fairtrade goods (Fairtrade Foundation, 2011).

In Australia, the Fairtrade Association of Australia and New Zealand (FTAANZ) is the relevant body. FTAANZ maintains a close relationship and feedback mechanism for its members with Fairtrade International. Consumer recognition of the Fairtrade label is increasing and reached 37% in Australia and 51% in New Zealand in 2010. Fairtrade sales have been growing rapidly in Australia and New Zealand, albeit from a low base, and totalled almost $AU150 million in 2010 (FTAANZ, 2011).

Free Range and Animal Welfare

Australia has many initiatives in place which aim to ensure animal welfare, including the *Australian Animal Welfare Strategy* which took five years to develop and involved all spheres of government and non-government organisations. Within food production, increasing consumer concern has seen the development of many and varied standards and labelling schemes but there are few agreed or legally enforceable definitions of terms such as free range, barn laid and sow stall free. Just as consumers are uncertain about which organic label to trust, they are uncertain about animal welfare labels.

RSPCA: The RSPCA uses its Freedom Food Logo established in the UK in 1994 to brand products that meet its animal welfare standards. The basis of the RSPCA's Freedom Food Standards are the five freedoms (first identified in the Brambell Report in 1965 and reproduced in **Table 3.1**) and expanded to provide detailed and precise documents setting out the standards for each of the food animal species covered by the scheme. The scheme covers salmon, sheep, chickens, turkeys, laying hens, ducks, beef cattle, dairy cattle and pigs. About 80% of UK free range eggs are sold under this label (Jones, Hart and Worth undated).

Table 3.1 The Five Freedoms for Animals

Freedom	Mechanism for Delivery
1. Freedom from hunger and thirst	By ready access to fresh water and a diet to maintain full health and vigour.
2. Freedom from discomfort	By providing an appropriate environment including shelter and a comfortable resting area.
3. Freedom from pain, injury or disease	By prevention or rapid diagnosis and treatment
4. Freedom to express normal behaviour	By providing sufficient space, proper facilities and company of the animal's own kind.
5. Freedom from fear and distress	By ensuring conditions and treatment which avoid mental suffering.

Source: (Jones, Hart and Worth undated originally developed by Brambell 1965)

The American Humane Association (AHA) has introduced the *American Humane Certified Program* (formerly known as the Free Farmed program) which provides third-party audit that certified producers meet agreed standards (also based on the Five Freedoms). Once certified, producers can use the American Certified Humane label on their products. The scheme covers beef, pork, poultry and dairy products.

In Australia, the RSPCA has set up an Approved Farming Scheme, which provides similar accreditation to the Freedom Food scheme in the UK. Once a farm is audited and found to meet particular standards in animal welfare, their products can be sold with the RSPCA "Paw of Approval". The scheme currently covers eggs, pork, chicken and turkey. Cattle are not (yet) covered by the scheme.

The Humane Society International (HSI) and the Australian Organic certifier National Association for Sustainable Agriculture (NASAA) launched a certification label in August 2006 - *Humane Choice*. The label covers beef, pork, lamb, chicken and eggs and guarantees that the animal has been treated humanely from birth through to death. Animal products carrying the label are allowed to satisfy their behavioural needs, to forage and move untethered and uncaged, with free access to outside areas, shade when it's hot, shelter when it's cold, with a good diet and a humane death.

Environmentally Responsible and Sustainable Production Systems

Environmental responsibility and sustainable production are demonstrated through a wide range of consumer, industry and government responses. Two relevant examples are the development of Environmental Management Systems (EMSs) in Australia for agricultural products and the international Marine Stewardship Council concerned with sustainable fishing.

EMS: The objectives of EMS are (1) the adoption of profitable and sustainable farming systems, (2) improved natural resource management and environmental outcomes, and (3) an ability to demonstrate environmental stewardship to markets and the community. Australian agricultural industries have responded to the opportunity to develop EMSs in a range of ways. Some have chosen to work toward third party audited ISO 14001 compliant systems, others have built EMS into existing QA programs, others have preferred self assessment tools and still others have opted for a better understanding of market and community drivers. All EMS models share in common a 'plan, do, check, review' approach (Hassall & Associates 2007).

The Marine Stewardship Council (MSC): is a global not-for-profit organisation promoting responsible fishing practices and certifying responsible fisheries. The MSC certifies sustainable fishing with the aim of reversing the decline in fish stocks, safeguarding livelihoods and delivering improvements in marketing conservation. Certified fisheries catch close to 6% of the world's total annual wild capture harvest, and if those fisheries that are currently being assessed are added, the figure will be 10%. More than 10,000 seafood products bear the blue MSC label and can be traced back to the certified sustainable fisheries. Concerned Australian consumers can visit the MSC website (www.msc.org) or look at Australia's fishery status reports at www.brs.gov.au which list overfished species.

A recent UK study examined whether a single "green" label could be developed for the "environmentally responsible and sustainable" attribute of ethical consumerism. After examining 70 individual environmental labelling schemes, they concluded that a single "eco-label" is not yet possible. While there is a great deal of work being undertaken around the world about eco-labelling, it is mainly in industries other than food. Food eco-labels remain "practice-based' rather than "outcome-based" and the science of outcome-based labelling (which measures the actual environmental impact) is still developing and is too costly at present. The Inquiry also recommended that labelling should be only part of a suite of initiatives to bring about change in consumer behaviour including government regulation and industry initiatives (DEFRA 2011).

In Summary – Consumer Requirements and Certification

- Drivers for ethical food consumption include (1) better informed consumers, (2) rising First World incomes, (3) health concerns and (4) the desire for a better world.
- Identifying the demographic characteristics of ethical consumers is not straightforward. While some studies suggest ethical consumers are likely to be well-educated, female and affluent, an increasing number of other studies report that few or no demographic generalisations can be made (Mitchell et al, 2010).
- The various ethical attributes are ranked differently by individual consumers and priority varies across countries. Recent research suggests that animal welfare issues and locally produced food have become significantly more important to UK consumers than environment and recycling, which have been priorities in the past. In the US, health issues and locally produced food are ranked highly. Limited data about Australia is available, but animal welfare is growing in importance as an issue.
- Ethical consumers are seeking clear and unambiguous ethical food labelling and this is not being provided at the current time. Many certification schemes, some of which are third party audited, exist for each of the key ethical food attributes.

4. Market Size – Current and Forecast

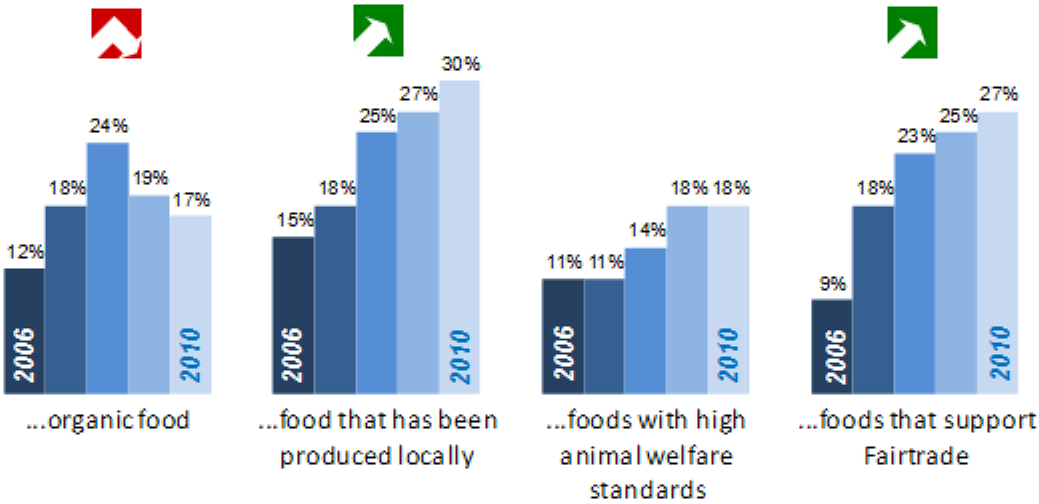
Ethical food market sizes, current and forecast, are provided for the (1) UK and Western Europe (2) US and Canada, (3) Japan and Asia, and (4) Australia and New Zealand. Market size insights include products demanded, consumer requirements, supply chains and distribution channels, market share *vis a vis* conventional foods, growth forecasts and trend implications.

United Kingdom

Ethical Food Products – UK

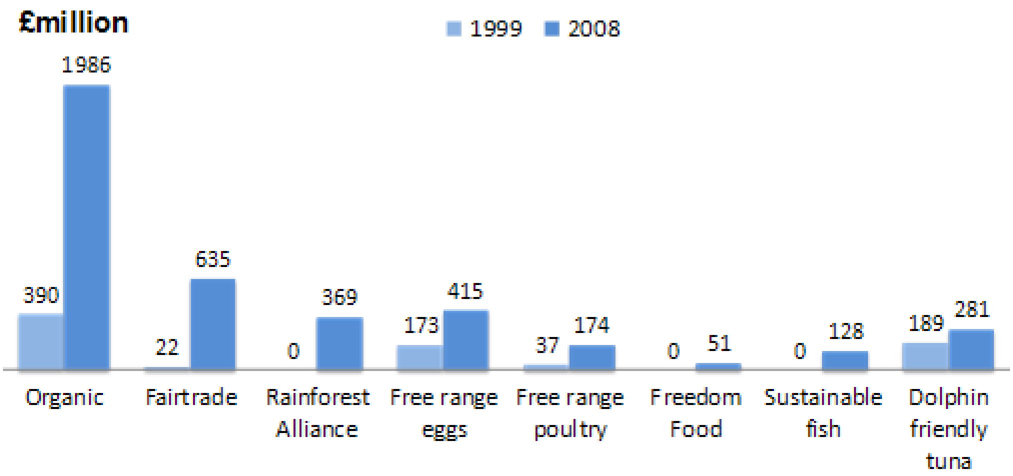
Ethical consumerism embracing financial, personal, food and other products was estimated by The Cooperative Bank to be worth £43.2 billion in 2009 (approximately $A66.2 billion). This is an increase of £6.7 billion (18%) over the previous two years, despite the Global Financial Crisis and the fact that overall household expenditure in the UK increased by only 1% during the same period.

Despite predictions that ethical sales would fall as consumers tightened their belts during the GFC, growth continued in all ethical food and drink categories in the UK during 2008 and 2009 except organic. See Figure 4.1below.



Base: main/joint household shoppers. Source: IGD Shopper Trends 2010 report

Figure 4.1 Ethical Food and Drink Products Bought in the Last Month



Source: The co-operative bank 'Ten Years of Ethical Consumerism: 1999-2008'

Figure 4.2 Ethical Food and Drink Sales in the UK 1999-2008 (million £)

The key elements of ethical consumerism as they relate to foods are organics, free range/animal welfare, the environment and fairtrade. Over the last decade, growth has been strongest in Fairtrade, Freedom Foods, sustainable fish (of the type certified by the MSC) and free-range poultry. Organic sales grew strongly except for a temporary decline in sales during the GFC. See **Table 4.1** below.

Table 4.1 Spending on Ethical Food and Drink in the UK, 2007-2009 (million £)

Ethical Food	**Spend 2007**	**Spend 2008**	**Spend 2009**	**% Growth 07 to 09**
Organic	1,982	1,986	1,704	-14%
Fairtrade	458	635	749	64%
Rainforest Alliance	-	369	1,076	-
Free range eggs	314	419	447	42%
Free range poultry	130	174	174	34%
Farmers' markets	220	220	220	0%
Vegetarian prod/ Meat alternatives	758	768	780	3%
Freedom foods (e.g. RSPCA logo)	28	58	122	336%
Sustainable fish (e.g. MSC logo)	70	128	178	154%
Total	**3,960**	**4,757**	**5,450**	**38%**
Food & drink boycotts	1,144	1,069	1,040	-9%

Source: The Cooperative Bank 2010

NB: There are elements included in The Cooperative Bank study that are not generally referenced in the ethical food literature, e.g. vegetarian products/meat alternatives.

Consumer Attitudes – UK

Annual average UK household expenditure on ethical food and drink was £251 ($A387) in 2009. UK shoppers are increasingly willing to pay higher prices for quality organic, free range or fairtrade products. Three quarters of UK food buyers are interested in the ethics of what they eat and half expect to be buying more ethical food and drink in the future (IDG 2010).

Some 6% of the UK adult population (2.8 million people) are committed ethical consumers, shopping for ethical products and services every week. Across eight separate indicators, between 1999 and 2007, UK consumers, of all age groups, reported an increased predisposition to ethical behaviours (The Cooperative Bank 2007).

A recent study by the UK Department for Environment, Food and Rural Affairs (DEFRA) compared consumer *attitudes* on key ethical food issues to data on their actual purchasing *behaviour* to see if there is a link. They found that the level of importance consumers attach to an issue and the extent to which they say they are “actively seeking” to buy ethical products are directly linked to the amount of ethical purchases they make (DEFRA, 2011b).

Retail Channels and the Ethical Food Supply Chain – UK

In line with developments around the globe, ethical food products are increasingly found in mainstream outlets. UK supermarkets now stock a wide variety of ethical food products. Tesco stocks 1200 organic product lines, and over 100 Fairtrade product lines. They have a ‘Healthy Living’ range of over 400 products which are low in fat and sodium and have also developed a ‘Free From’ range in response to increasing demand for products for people with food allergies and intolerances. Tesco has a special Healthy Kids Snacks range, which has 40 products. Marks and Spencer offer 350 Fairtrade products and will convert all jams and bagged sugar to Fairtrade by 2012. They are aiming to triple sales of organic food by 2012, but are behind schedule due to the decline in organic sales in the GFC. M&S are converting all fresh turkey, geese and duck and fresh pork products, to free range by 2012.

Ethical food sector leaders in the UK include:

- Whole Foods Market Stores in London and Glasgow: sell organic fruit, vegetables, meat and juices. Formerly Fresh and Wild, the company was bought for £21 million in 2004 by the US organic food giant Whole Foods;
- Tyrells – threatened to sue Tesco for stocking its crisps. Tyrells sells through 6,000 independent retailers and Waitrose - which it allows to sell its crisps because Waitrose deals fairly with local producers;
- Traidcraft – pioneer of fairtrade industry, sells more than 700 products including tea, coffee, wine, pasta and chocolate from 30 countries. Sales were £22 million in 2009.

Value and Share of Total Food Market – UK

Total: Ethical foods accounted for 8% of total food sales in the UK in 2009 (up from 5% in 2006). According to the British Office of National Statistics overall spending on ethical foods accounted for about 5% of the typical shopping basket in 2005 (IDG 2006).

Organic: In 2010 total organic sales in the UK were worth £1.73 billion, a decline of 5.9% on the previous year. However the *rate* of decline slowed significantly in 2010, after two years of falling sales due to the GFC, and the Soil Association has labelled 2011 a year of “cautious optimism” and predicts that the market will level off. Over 85% of British households buy organic products, but spending on organic food and drink declined by 14% over the two years to 2009 to reach £1.7 billion, equivalent to 1.4% of the £ 81 billion UK food and drink market. Fewer chemicals, healthier for me and my family, and natural/ unprocessed were the three top reasons given by UK consumers for buying organic food (The Soil Association 2011).

Fairtrade: Unlike organic products, Fairtrade sales have shown very strong growth throughout the global economic downturn. This growth has occurred on the back of major brand commitments to the Fairtrade label, with companies including Cadbury, Nestle, Starbucks, Ben & Jerry's, Tesco and others taking up the Fairtrade label. In the UK, Fairtrade sales were worth a remarkable £1.17 billion in 2010, up from £836 million in 2009, which is growth of 40%. Fairtrade sales have enjoyed the biggest increase in ethical sales throughout the new century (see **Table 4.2** below). Sales of Fairtrade chocolates more than quadrupled to reach £342 million, making chocolate the leading Fairtrade product by value in the UK, and sales of Fairtrade drinking chocolate nearly trebled. Sales of tea and coffee continue to grow strongly, with coffee up 16% and tea by 5%, which equates to 6.4 million cups of Fairtrade coffee and 9.3 million cups of Fairtrade tea drunk in the UK every day (Fairtrade Foundation, 2011b).

Table 4.2 Estimated UK Fairtrade Retail Sales by Value 1998-2009 (£ million)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Coffee	13.7	15.0	15.5	18.6	23.1	34.3	49.3	65.8	93.0	117.0	137.3	157.0
Tea	2.0	4.5	5.1	5.9	7.2	9.5	12.9	16.6	25.1	30.0	64.8	68.1
Cocoa products*	1.0	2.3	3.6	6.0	7.0	10.9	16.5	21.9	29.7	25.5	26.8	44.2
Honey products*	n/a	n/a	0.9	3.2	4.9	6.1	3.4	3.5	3.4	2.7	5.2	4.6
Bananas	n/a	n/a	7.8	14.6	17.3	24.3	30.6	47.7	65.6	150.0	184.6	209.2
Flowers	n/a	n/a	n/a	n/a	n/a	n/a	4.3	5.7	14.0	24.0	33.4	30.0
Wine	n/a	n/a	n/a	n/a	n/a	n/a	1.5	3.3	5.3	8.2	10.0	16.4
Cotton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	4.5	34.8	77.9	50.1
Other	n/a	n/a	n/a	2.2	3.5	7.2	22.3	30.3	45.7	100.8	172.6	219.4
TOTAL	**16.7**	**21.8**	**32.9**	**50.5**	**63.0**	**92.3**	**140.8**	**195.0**	**286.3**	**493.0****	**712.6**	**799.0**

* The figures against these products represent the cocoa part of all products containing cocoa and the honey part of all products containing honey.

** Following review, some of the 2007 figures have been amended but the total remains the same.

Source: Facts and Figures on Fairtrade (Fairtrade Foundation, 2011a)

Free range eggs and poultry: Sales of free range eggs increased 42% in the two years to 2009 and currently have a retail value of £447 million pounds (Cooperative Bank 2010). Free range eggs account for 45% of all eggs produced in the UK, and sales are growing, while consumers have lost interest in organic eggs (Soil Association 2011). Free range poultry sales have grown by 34% in the last two years and now account for 32% of total poultry sales.

Freedom foods: Freedom Foods sales increased by 336% from 2007 – 2009 and are now worth £122 million pounds. About 80% of free-range eggs are sold under the Freedom Foods label.

Sustainable fish: In 2010 the second biggest increase in an ethical food category (after Freedom Foods) was the sale of sustainably caught fish which increased by 154% following the introduction of new product lines by some of the UK's leading brands. The Marine Stewardship Council certifies sustainably caught fish in the UK and worldwide (The Cooperative Bank 2010).

Locally Produced Food: has re-emerged as a very important ethical food trend in the UK, buoyed by consumer concern to support local economies and local producers during the economic downturn. A 2008 survey of UK consumers found that *local/British products* was the 2nd most important category of ethical products after animal welfare, with 55% of consumers rating it of interest. A follow up survey in 2010 showed that interest in local/British groceries had increased to 62% since 2008 (IGD 2008, 2010). The food miles/local purchase phenomenon also manifests itself in the UK through the growth of farmers' markets, which now number 220 (The Cooperative Bank 2010).

Consumer boycotts (labour rights): The value attributable to boycotts reflects the income lost by one brand to another because a consumer switches brands due to an ethical concern, be it human rights, animal welfare or the environment. To avoid double counting, the value of boycotts excludes instances where consumers switched brands to fairtrade, organic or any other product categories included in Table 4.1. The most common reasons cited by consumers were concerns over labour rights in companies' supply chains, irresponsible marketing practices in the developing world and animal welfare.

Conclusion: The growth enjoyed by ethical food suppliers has been exponential from a small base. Over the decade to 2009, ethical sales in the UK increased by over 400% and fairtrade sales grew even faster to reach a total almost 40 times their size at the start of the decade.

Growth Forecast – UK

Sales of ethical food and drink in the UK have almost tripled in the last decade, well above growth in the conventional food category which was around 4.2% in the early 2000s (IDG 2006) and has struggled in the later part of the decade in the face of the GFC.

Continued growth is predicted across the ethical food and drink sector in the UK. Sales of organic food are rebounding from their decline during the GFC and the strong growth in the fairtrade sector is forecast to continue, with the Foundation's Executive Director suggesting fairtrade sales could even reach £2 billion pounds by the end of 2012, a prediction of almost 100% growth in two years on 2010 sales of £1.17 billion (Fairtrade Foundation 2011b).

Implications – UK

With UK supermarkets having fully embraced ethical issues to further differentiate themselves in an increasingly competitive market place, suppliers are taking up the opportunity to convert a niche (ethical foods) into a mainstream range. Firms will need to 'do ethical stuff' as well as sell the products. Equally there are risks for suppliers in not acting ethically. The boycott value of ethical foods in the UK is only second to organics as an industry sub-sector. However, shoppers have a propensity to overstate their willingness to buy ethical foods when surveyed or in focus groups.

Western Europe

The following ‘bullet points’ provide insight into the current size of the ethical food market in Western Europe. Available data sets are incomplete and the result is a partial picture.

Germany

- Germany is the second largest organic market in the world after the US. In 2009, Germany had 0.95 million hectares of organic agricultural area and organic sales were worth €5,800 million. Per capita spending on organic food was 7th highest in the world and averaged €71(Willer & Kilcher 2011).

- In the first half of 2011, 29 organics supermarkets either opened their doors or expanded in size (Organic-Market Info, 2011).

- The value of German Fairtrade sales increased from €212.8 million in 2008 to €267.5 million in 2009, an increase of 26% (FLO 2010).

France

- A 2010 survey of French consumers found that 30% of French shoppers expect to be buying more animal welfare products in the future; 35% will buy local/national products; 24% expect to buy more Fairtrade products and 20% expect to buy more organic (IGD, 2010b).

- France’s organic market is the second largest by value in Europe and was worth €3,041 million in 2009 (Willer & Kilcher 2011).

- French purchases of Fairtrade goods in 2009 reached €287.7 million, an increase of 13% on 2008. France had the third highest sales by value in the world after the UK and US (FLO 2010).

Italy

- In 2009 the organic food market in Italy was valued at €1.5 billion, making it the 5th largest domestic market by value in the world (Willer & Kilcher 2011).

- Organic sales in Italy experienced growth of 7% in the first half of 2009, despite the GFC. Fruit, vegetables and eggs were particularly in demand. The organic supermarket chain NaturaSi, with 66 stores, achieved increased sales of 15% in the same period (Organic World 2009).

- In 2009, there were almost 50,000 organic operators in Italy, of which more than 42,000 were producers, making Italy the country with the most organic producers in Europe.

- Italy’s Yearbook of Organic Farming *Tutto Bio 2010* reports that between 2007 and 2009 farm gate sales grew by 32%, restaurants by 31%, internet sales by 25%, organic school cafeterias by 23% and farmers’ markets by 10% (Organic World 2011).

- Fairtrade and organic products are widely stocked in hypermarkets, supermarkets and local specialty stores.

- In 2009 Fairtrade was valued at €43.4 million, an increase of 5% on the previous year (FLO 2010).

Netherlands

- Consumer spending on organic produce has grown by 8.5% on average over the last decade.

- In 2009, organic products accounted for 2.3% of total food sales in the Netherlands, which was €591 million Euros. Per capita consumption was €36 (Kilcher et al 2011).

- For some years it appeared that the rate of growth of organic sales in the Netherlands may have been stagnating or reaching some kind of mature market level, but these statistics suggest otherwise, as do reports that sales of organic food in Dutch supermarkets were 20% higher in the first nine months of 2010 than for the same period in 2009. If accurate, this would represent the biggest growth in the market for a decade.

- The Fairtrade label has its roots in the Netherlands and growth remains strong. Fairtrade sales were worth €85.8 million in 2009, an increase of 41% on 2008 (FLO 2010).

Switzerland

- The GFC did not impact on organic sales in Switzerland, which continued to exhibit strong growth. Since 1999, the Swiss organic market has grown on average more than 10% annually (Kilcher et al 2011).

- In 2009, organic food and beverage sales were worth €1,023 million which equated to more than 5% of total food and beverage sales.

- Consumer drivers for purchasing organic food have become more complex. Their concerns with the effect of climate change and the need to minimise our ecological footprint have led to more reasons to buy organic:
  - Organic farming contributes to the mitigation of climate change
  - Organic agriculture contributes to sustainably feeding the world
  - Organic farmers invest in biodiversity (Kilcher et al 2011).

- Sales of Fairtrade products reached €180.1 million in 2009, up by 7% on sales in 2008.

- Per capita Fairtrade consumption is very high in Switzerland at almost €132 per annum, second only to Denmark among European countries.

Spain

- Sales of organic food reached €905 million, which equates to €20 per person (Kilcher et al 2011).

- Spain is now the country in Europe with the largest organic grape area – overtaking Italy which previously held this place.

- Fairtrade was first introduced to Spain as '*commercio justo*' by non-government organisations (NGOs) and world shops[1]. The *Coordinadora Estatal de Commercio Justo* (CECJ) was formed to create a National Labelling Organisation for Spain. The first fairtrade products available for Spanish consumers were: coffee, cocoa, tea and sugar. Initially these were on offer through food service outlets and world shops.

[1] World shops are outlets for fair trade products in developed countries around the world. The functions of world shops include the sale of fairly traded products and the raising of consumer awareness about the issues behind the concept. World shops organise exhibitions, campaigns, petitions and fair trade breakfasts to help 'spread the word'.

- Fairtrade sales in Spain grew strongly in 2009, increasing by 46% over 2008 to reach €8 million, although from a lower base than many European countries (FLO 2010).

Ireland

- Organic sales in Ireland totalled €90 million in 2010, a decrease of 17.4 % on the previous year. However, the volume decrease experienced was only 7.5 %. This appears to be a direct result of the GFC.

- The Irish Government, when elected in June 2007, made a commitment in the program for government that will ensure that the sourcing of fairtrade goods (where possible) is part of all Government departments' purchasing policy.

- Sales of Fairtrade products grew by 26% in 2009 to reach €118.6 million (FLO 2010).

Table 4.3 Market for Organic Food and Beverages in Western Europe 2009

Country	Sales (Million Euros)	Euros/ Person	Share of Food Market (%)
Germany	5,800	71	3.4
France	3,041	47	1.9
Italy	1,500	25	*
Netherlands	591	36	2.3
Switzerland	1,023	132	5.2
Spain	905	20	*
Ireland	106	24	*

*Data not available

Source: Adapted from The Organic Market in Europe 3rd Edition May 2011 (Kilcher et al 2011)

Overview and Implications – Western Europe

The organic food and drink market in Europe is very well developed with the seven highest per capita spending countries in the world being Western European countries: Denmark, Switzerland, Austria, Luxembourg, Liechtenstein, Sweden and Germany (Willer & Kilcher 2010).

Growth rates in organics vary country to country but most countries report annual sales growth of up to 15%. The UK and Germany were hit hardest by the GFC. Organic food sales in the Netherlands, an early adopter of organic foods, had levelled off for several years, but increased to record levels in 2010.

Animal welfare is an important part of the ethical food movement in Europe and the EU is proposing animal welfare labelling. European consumers are becoming increasingly sophisticated in their buyer behaviour towards organic foods. They are seeking additional value from organic products than just the production method.

Fairtrade has more than 70,000 outlets in Europe including 50 supermarket chains. Fairtrade outlets employ 2,000 staff and attract 100,000 volunteers in Europe. There are an estimated 200 fairtrade importers with an aggregate net turnover of €230 million pa and a retail value of €660 million pa ($US1.037 billion). Fairtrade has grown in Europe at 154% in 5 years (Maccari 2007).

Growth in the value of fairtrade sales by country is shown in Table 4.3.

Table 4.4 Fairtrade – Estimated Retail Value, Growth and Spend per Capita#

Country	Retail Value 2007 (€ million)	Retail Value 2008 (€ million)	Retail Value 2009 (€ million)	Growth in Spend 2008-2009 (%)	Spend per Capita 2009*
Austria	52.7	65.2	72.0	10%	8.76
Belgium	35.0	45.8	56.4	23%	5.41
Canada	79.6	128.5	201.9	66%	5.93
Denmark	39.6	51.2	54.4	6%	10.34
Finland	34.6	54.4	86.9	60%	16.50
France	210.0	255.6	287.7	13%	4.40
Germany	141.7	212.8	267.5	26%	3.28
Ireland+	23.3	94.4	118.6	26%	25.40
Italy	39.0	41.3	43.4	5%	0.71
Japan	6.2	9.6	11.3	2%	0.09
Luxembourg	3.2	4.3	5.3	25%	10.53
Netherlands	47.5	60.9	85.8	41%	5.09
Norway	18.1	30.9	34.7	19%	7.40
Sweden	42.5	72.8	82.7	25%	9.10
Switzerland	158.1	168.8	180.2	7%	23.58
UK	704.3	880.6	897.3	14%	14.30
US	730.8	757.8	851.4	7%	2.72
Australia/NZ	10.8	18.6	28.7	58%	1.10
Spain	3.9	5.5	8.0	46%	0.17
Total	2380.9	2959.0	3374.2	14%	

Source: AgEconPlus analysis of FLO data

* Based on 2011 population estimates sourced through US government website (CIA.gov).

includes bananas, coffee, cocoa, honey, juices, rice, sugar, tea and wine as well as cotton and sports balls.

+There are discrepancies between the figures in FLO reports 2009 and 2010 which may explain Ireland's high per capita spending. Figures for 2008 and 2009 for Ireland have been taken from FLO 2010.

US and Canada

Ethical Food Products – US and Canada

US consumers spent almost $US300 billion on ethical products and services in 2008, an increase of 36% over the three years from 2005, when previous data was recorded (LOHAS 2010).

The largest category within the broader ethical market in the US is Personal health, which includes food and drink sales along with personal care products and services. The Personal Care category was worth $US 117 billion in 2008. Organic food and drink experienced the largest growth within the category, nearly doubling in the three years to 2008 to reach $US23.6 billion.

Consumer Profile and Attitudes – US and Canada

Approximately 30% of the US adult population or 50 million people are concerned with Lifestyles of Health and Sustainability – LOHAS. While ethical consumer demographic features are not uniform, several reports suggest that higher levels of education characterise ethical consumers. Asian Americans 'skew high' with a strong interest in natural and organic products. Older shoppers, parents with young children and small households are also important ethical consumers (Packaged Facts 2007).

North American consumers are seeking ethical food and beverage products that are:

- Safe – with food safety clearly topping the list of consumer concerns about food quality including:
  - Not produced from genetically modified (GM) or cloned animals (relevant to meat and milk)
  - Free from added hormones
  - Low-mercury seafood
  - No pesticides
- Organic and the product of sustainable agricultural practices
- Fairtrade
- Embody the humane treatment of animals, no animal testing and are cruelty free
- Free range
- Grass fed in the case of beef
- Sustainable in the case of seafood
- Locally grown and with limited food miles
- 'Green' – eco-friendly-non-toxic (more relevant to personal care and cleaning products)
- Biodegradable, recycled, recyclable (relevant to food packaging)

Organic: A survey of US adult shoppers in February 2009 revealed that almost one-quarter frequently buy certified organic food and beverage products and one-third are willing to pay more for organic goods, even in the midst of the recession (Packaged Facts 2009). While 'organic' is rated lower in several studies than other ethical attributes including freedom from chemicals, locally grown and sustainably produced, this may be explained by the fact that for many consumers 'organic' is no longer a new attribute, but rather a given, and they continue to buy organic while also shifting their attention to more recent food issues including animal welfare and locally grown (Context Marketing 2009).

Fairtrade: A 2010 study by Fair Trade USA with Corporate Social Responsibility research experts GlobeScan reported that one-third of U.S. consumers (more than 100 million Americans) are aware of and familiar with Fairtrade Certified—a four-fold increase in just five years. Ninety-three per cent of these consumers believe that seeing the Fairtrade Certified label positively affects their perception of the host brand. And, once aware, eight in 10 consumers claim to have purchased Fairtrade products. Many North American consumers are willing to pay up to eight percent more for a product bearing the Fair Trade Certified label (Hainmueller et al 2011).

Humane Treatment of Animals: In line with changing attitudes around the world, North American consumers are becoming more concerned about animal welfare issues, with 48% rating 'humanely raised' as important or very important. Food safety issues were generally considered more important, but animal welfare ranked above organic (35%) and Fairtrade (35%) (Context Marketing 2009).

A University of California-Santa Cruz study released in January 2005 asked consumers to rank five potential 'eco-labels'. The most popular – chosen by 30% of respondents – was a 'humane label' that would certify that products such as milk, eggs or meat came from humanely treated animals. In general, North American consumers take 'humanely treated' to mean 'not restricted to living in tiny cages or pens, are fed nutritiously, have liberal access to water, and are allowed to associate with other animals of their own kind'. A particular 'hot button' in the US is cage-free eggs (Packaged Facts 2007).

Not Genetic Modification or Cloned Animals: Over the decade since 1997, the use of GM has quietly spread throughout the US food chain. The Grocery Manufacturers of America estimate that roughly 75% of the processed food produced in the US – including breakfast cereals, crackers, frozen dinners, cooking oils, carbonated beverages, and more – now contains GM ingredients. Though barely on the radar as yet, another ethical issue in the US with potentially major implications for the food industry is meat and milk derived from cloned animals (Packaged Facts 2007).

Local Sales: Greater interest in locally produced food in the US is being spurred on by several factors, including the belief that food produced in the USA and on family farms is safer, a desire to support local farmers and economies in the face of the GFC, and US outbreaks of *E. coli* linked to fresh produce.

Sustainable Agriculture: In the US and Canada sustainable agriculture is a 'fuzzy' concept that encompasses practices that do not deplete the earth's resources. The term also embraces a melange of agricultural, environmental, social, political and economic issues. Many sustainable foods are organically grown (though some are not), and there is also an emphasis on social responsibility and better lives for farm and supply chain workers (Packaged Facts 2007).

Minimal Packaging: US and Canadian ethical consumers seek out less packaged products and products contained in biodegradable packaging, with 41% of consumers rating these issues as important (Context Marketing 2010).

Consumer boycotts: Many US consumers say they have boycotted a food, beverage or personal care company's products on ethical grounds, with one report finding 66% have done so (Packaged Facts 2007) and a more recent report finding that 44% have done so (Context Marketing 2010).

Retail Channels and the Ethical Food Supply Chain – US and Canada

Mass market retailers including supermarkets, warehouse stores and mass merchandisers sold 54% of organic food in 2010. Natural retailers were next with 39% of total organic food sales. Other sales occur via the internet, exports, farmers' markets, mail order and boutique stores (OTA 2011).

This is a turnaround from previous years, when the natural foods channel dominated sales of organic food, and reflects the increasing mainstreaming of organic products and the introduction of multiple product lines and private organic labels by supermarket chains in recent years.

Independent organic outlets remain strong in North America which has over 25,000 stores in the natural food channel. Whole Food Market is one of the largest stores and has undertaken many mergers and acquisitions over the last decade. The company now has 300 stores with over 54,000 staff in North America and the UK and sells a wide range of fresh and packaged ethical foods including private labels of natural and organic foods.

Fairtrade products are sold at over 60,000 locations in the US, from independent small scale supermarkets to restaurants and cafés and increasingly at well-known retail chains including Costco, Target, Sam's Club and Wal-Mart. Ethical food leaders in the US and Canada include (Packaged Facts 2007):

- Starbucks
- Stonyfield Farm
- Ben & Jerry's Homemade
- Tom's of Maine.

Value and Share of Total Food Market – US and Canada

Total Ethical Foods: US retails sales of natural and organic food and beverages rose to nearly $39 billion in 2010, an increase of 9% over the previous year's sales of $35 billion. Conventional groceries grew by only 2%. Packaged facts project sales to increase to $78 billion by 2015, more than doubling (Packaged Facts 2011).

Organic: The North American organic market is now the largest in the world, with sales outstripping Europe for the first time in 2009 (Organic Monitor 2010). Sales of organic food and drink in the United States were worth $US26.7 billion in 2010, an increase of 7.7% over 2009. Organic food and drink sales accounted for 4% of overall food and beverage sales with organic fruit and vegetable sales now worth 11% of all US sales (OTA 2011).

Fairtrade: Retail sales of fairtrade products in the US grew by 7% in 2010, to reach retail value of €851.4 million Euros (FLO 2010). This is the second largest fairtrade market by value in the world, after the UK. Fairtrade sales in Canada grew by 66% in 2009 to reach €201.9 million which is a per capita annual spend almost three times as large as that in the US.

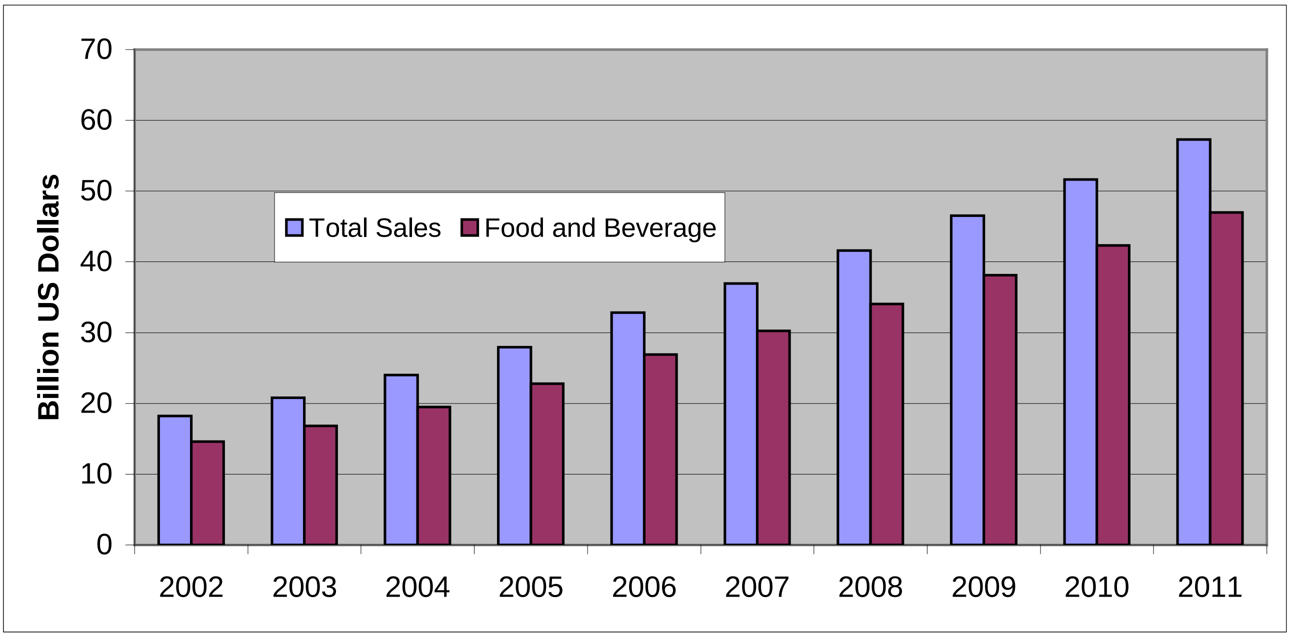
The strong growth in ethical grocery products is all the more significant when contrasted with the relatively flat market for conventional groceries. The overall ethical foods business has been experiencing double-digit annual growth for most of this decade (15% pa range), compared to single digit growth (2%) for conventional products (Packaged Facts 2007, 2011).

Growth Forecasts – US and Canada

Sales of ethical food and beverages in the US are forecast to double by 2015, reaching $78 billion (Packaged Facts 2011). Such significant growth is predicted on the back of continued mainstreaming of ethical food and drink by both major brands and major retailers.

Within the ethical foods market, less rapid growth has been forecast for organic food and drink, with a 1% rise by 2014 from 3% to 4% of the market in the US.

Figure 4.3 Projected US Ethical Consumerism in the US 2007-2011 – Total Ethical Grocery Sales and Ethical Food and Beverage Sales (billion $US)



Source: Packaged Facts 2007

Implications – USA and Canada

Ethical foods are appealing to a widening consumer base and rapidly moving to the mainstream in the US and Canada. Major corporations are getting more involved and merger and acquisition activity will continue.

Some critics worry that as ethical foods become mainstream, these products' increasing popularity and the entry of big business is diluting the movement's original ideas. They argue that care is needed to avoid the perception of 'selling out'. Issues that are expected to trouble US consumers in the future include: 'ethical vs. Ethical Inc.', 'authentic' versus 'fabricated' (mass-produced) products and concerns about 'industrial' organics. US research indicates that many consumers distrust 'big business' to produce ethical foods.

In the future third party certification will be required to add credibility and luxury cachet to ethical foods. In the US there is single organic standard. Canada introduced the Organic Products Regulations in 2009. Organics aside, there are 147 different US eco-labels, they are confusing and many are not backed by independent standards or auditing. There is a need for clarification and simplification of ethical labelling standards in the US.

Japan and Asia

Products – Japan and Asia

Asian consumers are showing increasing interest in sustainable and ethical products. As well as organic foods, sales of natural cosmetics and fairtrade products are growing. The acronym LOHAS (Lifestyles of Health and Sustainability) has taken root in Asia far more deeply than in Australia, so much so that Coca Cola's latest bottled water product is called "I LOHAS" and is made from extremely light crushable plastic.

Demand for *organic* products is increasing significantly in Japan and Asia from a low base. As well as organic food, an important ethical category in Japan and China is "green food" from integrated production (lower level of pesticides and agrochemicals). Many consumers do not have a detailed knowledge of the difference between organic and green food (Organic Market Info 2011).

Consumer Requirements – Japan and Asia

Consumer awareness of the health benefits of ethical products, their growing concern about ecological issues and fears for product safety are major drivers of ethical consumerism in Asia, which commenced in Japan, then spread to Singapore and has now spread to China, Taiwan, India and parts of Indonesia.

Because of the higher prices associated with organics (and other ethical foods) Asian demand is generally limited to the major cities where consumers have the required purchasing power.

Market Share and Growth Forecast – Japan and Asia

Parts of Asia have enjoyed sustained annual growth rates in organic sales of between 20-45% in recent years (RIRDC 2006 and confirmed Organic Market Information 2008). The Asian market for organic products was valued at about $US800 million in 2006, and at that time, Japan accounted for approximately 60% of total organic sales in Asia and was the largest market for organic food and drink in the region.

The organic market in Japan was the 8th largest in the world in 2009 and was worth €1 billion euros (Willer & Kilcher 2011). Recent reports suggest the market in Japan remains around that level, with a share of some one percent of the food market and huge growth potential (Organic World 2011).

There is no official study regarding the domestic organic market in China, but best estimates from the International Trade Centre suggest that China has now overtaken Japan in terms of market size, and now ranks fourth in the world after the US, Germany and Switzerland with domestic sales of $US1.1 billion in 2008, up from $US500 million in 2007. These figures indicate a significant shift from a primarily export-oriented market towards increasing domestic sales (ITC 2011).

As noted above, "green food" is another important ethical category in Japan and China. The term refers to integrated production (lower level of pesticides and agrochemicals). This market is about four times as big as the organic market and its value is estimated to be approximately $US5.2 billion. Many consumers do not have a detailed knowledge of the difference between organic and green food.

Fairtrade: Sales of fairtrade products are slowly increasing in Asia, though they remain much smaller than in the UK, USA and Europe. The largest Asian fairtrade market is in Japan, which reached €11.3 million in 2009, growth of only 2% on the previous year. This equates to a per capita spend of only €0.09 per annum, the lowest of any country for which data is collected by Fairtrade International. A new agreement was recently announced between Fairtrade International and the Europe-Korea

Foundation which will see a significant increase in the fairtrade market in Korea (which already had sales of €2 million in 2010) (FLO 2011).

Supply Chains and Distribution Channels – Japan and Asia

Investments from food companies and leading retailers in organic food ranges have helped to stimulate Asian organic food demand (http://www.organic-market.info/). Larger hypermarkets and supermarkets in Asian capitals now carry a meaningful range of organic produce.

Trends and Implications – Japan and Asia

Rising incomes, large areas set aside for organic production together with resultant harvests in China, India, Thailand, Philippines, Indonesia and Vietnam are expected to stimulate increasing interest in domestic consumption of organics over time (http://www.organic-market.info/).

Australia

Ethical Food Products - Australia

The ethical food products most mentioned in the Australian literature are:

- Fruits and vegetables - organic
- Honey – organic
- Olive oil – organic
- Garlic – organic, food miles (the latter in relation to imports from overseas)
- Coffee – fairtrade and 'ethically produced'
- Tea – fairtrade and 'ethically produced'
- Sugar – fairtrade and 'ethically produced'
- Chocolate – fairtrade, child labour, organic, food miles
- Confectionary – fairtrade and organic
- Eggs – free range or barn laid, freedom foods
- Chicken meat – organic, freedom foods
- Fish – sustainable
- Pork – organic, freedom foods
- Lamb – organic, animal welfare friendly
- Beef – organic, animal welfare friendly.

Australia is unlikely to ever see the range of fresh fruit and vegetables that made the fairtrade component of ethical foods so important in the UK and US. This is due to the fact that much more fresh produce is imported in Europe and the US. Australia imports little fresh fruit and vegetables and is shielded by rigorous evidence based quarantine requirements.

Consumer Attitudes and Requirements – Australia

Australian consumers' interest in ethical food has increased over the last decade in line with consumers around the world. Their focus has expanded from an initial interest in the health and environmental benefits of organic food, to include a range of other issues such as the broader environmental impacts of the products they buy, animal welfare issues and social issues such as the working conditions of the people who produce and manufacture the products. By 2005, just under half of Australian consumers were buying at least one type of 'ethical' food product, with organic fruit and vegetables and organic free range eggs most frequently purchased (Good Environmental Choice 2005).

These days 60% of Australian consumers purchase organic food at least sometimes, which is a 50% increase over the previous two years. However, Australians' stated willingness to pay more for ethical products has declined in recent years by 40%, perhaps due to the impact of the GFC.

Research has failed to identify Australian consumers of organic foods as coming from any particular income or age group. However, they do tend to be younger and female. The tendency for Australian organic consumers to be female possibly may reflect the still primary role of females in food sourcing and preparation in Australian households (Lockie *et al* 2004).

Demand for organic food is driven by the perceived health and environmental benefits including the fact that they are free from chemicals, additives, hormones and antibiotics as well as the fact that organic farming is environmentally friendly. Organic fruit and vegetables are the most commonly purchased of all organic products (purchased by 57% of households in the previous 12 months) and are the entry point for new organic consumers. Other organic segments from which consumers had purchased in the last 12 months included home cooking ingredients (44%), canned goods (42%), bread (33%) and meat (33%) (Mitchell et al, 2010).

Australian organic consumers are classified by the Mobium Group (2010) into four groups – Leaders, Leaning, Learning and Laggards. Leaders represent the 11% of the population who are committed across multiple ethical food categories and currently pay more for ethical products. (Mitchell et al, 2010).

The role of supermarkets in introducing consumers to organic food is key. Supermarkets are increasingly providing consumers with a larger range of fresh and processed organic food allowing shoppers that prefer 'one stop' shopping the opportunity to trial organic products without going to the effort of seeking them out. This convenience is critical for new users in particular.

Less is known about the attitudes of Australian consumers to fairtrade. We do know that consumer recognition of the label is growing and reached 37% in Australia in 2010. In addition, record growth of fairtrade sales in Australia and New Zealand of almost 200% in 2010 indicates that consumers are predisposed to its message (Fairtrade Australia & NZ 2011).

Free range, especially free-range eggs, is an important sector in Australia. Free range, barn laid and organic eggs now account for just over 50% of the market by value and 36.5% of the market by volume and these sectors are continuing to grow (AECL 2010).

At this point of time there does not appear to be a premium for agricultural goods or even fish caught from sustainable systems.

Australia is a price sensitive market and while higher prices for ethical foods are acceptable to Australian consumers, efforts will need to be made by producers and the supply chain to minimise the extent of premiums over conventional lines.

Retail Channels and the Ethical Food Supply Chain - Australia

Ethical food retailing is split between the large supermarket chains that dominate Australian grocery retailing (Coles and Woolworths), specialty stores and farmers' markets.

Supermarkets: Supermarkets in Australia now make over 60% of all organic sales. The major supermarket chains in Australia all stock increasing lines of ethical food products, and some large retail outlets have over 500 organic lines. The ability of the domestic market to meet this demand remains a challenge (Mitchell et al 2010). Woolworths have launched an instore Macro label for "families and health conscious shoppers." The range includes organic, gluten-free, free range, natural (raw ingredients with nothing added and nothing taken away) and mini macro (organically grown snacks for children). Coles' organic range is a major component of its broader health and well being food and grocery offer, an area targeted by the company for ongoing growth. Coles has also launched its own brand of fairtrade coffee. Aldi carries 18 lines in its Just Organic range and is planning to expand it.

Specialty Stores: Australian specialty stores with an interest in ethical foods include fruit and vegetable shops that are able to command higher prices for organic fresh produce; health food shops that retail organic, free range, fairtrade and environmentally sustainable foods and beverages; and category retailers such as coffee supply shops that are able to create a new sub-category around fairtrade coffee, tea and cocoa/chocolate. In 2009, Woolworths bought the eight-store Macro Wholefoods chain and rebadged the stores as Thomas Dux.

Farmers' Markets: Another growth area in terms of ethical food retailing is farmers' markets, which have experienced significant growth in Australia since the late 1990s. A 2010 Victorian Parliamentary Report estimated that farmers markets in Victoria alone generated $227 million for the Victorian economy (Parliament of Victoria 2010). Farmers' markets are a vehicle for educating consumers on farming practices, providing information on the 'story' behind the food being bought, how it is grown, seasonal influences, providing outlets for smaller producers unable to supply the larger chains and providing financial support to smaller farmers – all attributes that fit comfortably with agreed definitions of 'ethical food'.

International Trade: Australia exports approximately 10% of its organic produce and imports approximately $200 million of organic food and beverages per annum. (Mitchell et al 2010). Fairtrade, by its very nature is all imported. Free-range goods such as eggs, poultry and pig meat are domestically focussed industries. Exported bovine products such as beef and dairy are dominated by free-range production. Environmentally sustainable exports include MSC certified fish and crustaceans.

Value and Share of the Total Food Market – Australia

Organic: Mitchell, Kristiansen, Bez and Monk (2010) have recently estimated the value of Australian organic production (Table 4.5 below). The authors found that there are approximately 2,896 certified organic operators in Australia, of which three-quarters are in farming operations. The total farm gate value of organic production, including organic fibre such as wool, was more than $223 million. This figure is lower than the 2008 estimate, due to the use of new, more conservative estimation methods. Had the previous method been used, the total would have been $300 million.

Table 4.5 Australian Organic Production Value – Farm Gate 2010

Commodity	Farm Gate Value ($A million)
Beef	34.5
Vegetables, herbs and nursery	77.5
Fruit and wine	39.7
Honey	9.8
Dairy	17.9
Lamb	11.3
Poultry meat	15.3
Grains, pulses, fibres and oil crops	9.5
Eggs	3.2
Nuts	2.2
Other (wool, essential oils, pig meat, etc)	2.3
Total	**223.2**

Source: (Mitchell et al 2010)

NB: includes wool which is not an 'ethical food'

Estimates from various sources show the growth in the retail value of the Australian organic sector:

- Australian domestic organic sales grew 50% in the two years 2007 to 2009 with the majority of this growth generated by multiple retailers entering the market and existing retailers expanding their number of organic lines.

- Australian organic production across all sectors has been increasing by 6-15% pa. Organic consumption has been increasing at 25-40% per annum. The difference has been made up by imports (RIRDC 2006).

- The retail value of the Australian organic market in 2009 was estimated at $947 million, with the expectation that it would reach $1 billion in 2010 (Mitchell et al 2010).

The Australian organic market currently accounts for 1% of total food sales.

Fairtrade: In Australia, the Fairtrade Association was established in October 2003 and Australian consumers are now able to purchase a rapidly growing range of Fairtrade products including coffee, tea, chocolate and drinking chocolate from 250 licensed businesses. Fairtrade goods retailed in Australia and New Zealand originate from 30 different Fairtrade certified producer organisations all over the world, in particular East Timor, Sri Lanka, the Dominican Republic, Indonesia and the Philippines, but very few in Pacific countries.

Combined Fairtrade sales in Australia and New Zealand grew by almost 200% in just one year in 2009, buoyed by the commitment of major brands including Cadbury Dairy Milk to the Fairtrade label.

Animal Welfare: Animal welfare is an issue of increasing importance for Australian consumers, as witnessed in 2011 with the public reaction to footage of Australian live export cattle being mistreated. But the issue is not new. Jones, Hart and Worth (undated) cite a 1994 survey of Australians about battery hen egg production which found that 66% of those surveyed believed battery cages were unacceptable. Reasons for this view were that hens are too cramped, that the cages are too small, that the system is cruel or inhumane, and that hens should have freedom to move around and need space to exercise (AGB McNair 1994). A similar survey carried out in 1998 found that 81% of respondents would be prepared to pay more for their eggs if a ban on battery cages was introduced.

Today, concern about animal welfare is one of the key drivers of ethical food purchasing in Australia, with sales of free range eggs and animal welfare friendly meat products dominating this category. Free range, barn laid and organic eggs now account for just over 50% of the market by value and 36.5% of the market by volume. Retail sales of free range eggs have more than doubled since 2000, and they now account for a quarter of all eggs produced in Australia. Sales are growing at 17% per annum (AECL 2010). Consumer concern about animal welfare was also behind the Australian Pork Industry's decision in November 2010 that sow stalls would be voluntarily phased out altogether in Australia by 2017.

Growth Forecast – Australia

The Australian ethical food sector is less advanced than either Europe or North America but more advanced than Asia. Further growth in Australian ethical food consumption would seem likely: organics to continue to grow at a rate of around 10% pa, remembering that it currently accounts for only 1% of retail food and beverage sales; Fairtrade will grow even more rapidly off an even smaller base, conservatively at 25% pa for the next five years; and animal welfare and environmentally focussed ethical foods will continue to be important to the Australian consumer.

Indicators of the growing importance of ethical foods in Australia are seen in the recent response to the issue by major retailers and brands. Coles and McDonalds provide useful examples:

- Coles has been responding to increased consumer concern about ethical issues in a range of ways:
  - Coles will sell sow stall free pork in the Coles Butcher line from 2011;
  - Coles released their private label *Coles Finest* free range pork products, developed in conjunction with the RSPCA, and carrying the "Paw of Approval".
  - Coles will only sell hormone-growth promotant (HGP) free beef.
  - Coles cut the price on Coles Brand Free Range eggs by 18% to help customers move away from caged eggs, which will be phased out in the future.
- McDonalds is also making a bold bid for ethical consumers. Some examples include:
  - Since May 2009, every cup of coffee sold in McDonalds is from a Rainforest Alliance Certified Farm;
  - McDonalds was the first Fast Food chain to include nutritional information on packaging and the Heart Foundation tick is now available on seven meals and two wraps;
  - McDonalds source locally where possible: 13 million kilos of lettuce and tomatoes was sourced from Australian producers in 2009; 23 million kilos of Australian beef were used in 2009, and 46 million kilos were exported to other McDonalds markets;
  - Animal welfare standards meet or exceed Australian requirements and McDonalds conducted 58 animal welfare audits of suppliers in 2008 and 2009;
  - McDonalds use a scorecard to measure supplier environmental performance.

Implications - Australia

The Australian implications of growth in the ethical food movement are developed in Chapters 7 and 8 of this report.

New Zealand

A high proportion of the New Zealand population, an estimated 25%, are classified as ‘solution seekers’ interested in actively addressing ethical challenges (Lewis 2007). Organic sales were valued at $NZ350 in 2009 (Mitchell et al 2010). Fairtrade sales in New Zealand have grown rapidly off a low base. A decade ago Fairtrade was valued at less than $NZ2,000. Today, sales are reported together with Australian sales, and increased by 200% in 2009. Recognition of the Fairtrade label in New Zealand in 2010 was 51%, an increase of 10% on the previous year.

World Situation

Value, Market Share and Priorities – World Situation

Overview: Ethical consumerism is mostly a developed nations phenomenon. The UK, Western Europe, the USA and Canada have dominated the ethical foods market accounting for an estimated 97% of organic and fairtrade sales (Maccari 2007). Rapid growth in the emerging markets of India and China will see this Western dominance lessen in coming years.

Different ethical issues are important in different countries and consumers respond individually to issues depending on their priorities and values. For example, in a consumer survey across four European countries, locally produced food rated of most interest, followed by animal welfare and Fairtrade, followed by organic. However, the results for the individual countries showed regional differences, with animal welfare a major issue for consumers in the UK and the Netherlands; supporting local producers being important in France and Germany, and organic consumption falling in Britain but rising in France (IGD 2010). Worldwide large corporates are mobilising to capitalise on the ethical food movement.

Organics: The organic market accounted for 1.4% of global food purchases by value at retail in 2009 (Datamonitor 2011). Global organic food sales grew at double digit rates throughout the first decade of the new century. Growth rates were impeded for one year during the worst of the Global Financial Crisis (GFC) and have since resumed their upward trend. In contrast growth in conventional food and fibre sales averaged 1% to 2% over the same period. In 2010, the world organic food market was valued at $US59.3 billion (retail) and is forecast to reach $US88 billion by 2015 (Willer and Kilcher 2010).

Organic sales are concentrated in Europe and North America because the higher prices demanded by the organic supply chain restrict demand to countries where consumers have sufficient purchasing power. For this reason large cities in Asian countries are increasingly able to support viable organic sectors. Higher education and awareness levels and corresponding interest in organics is also linked to countries with higher purchasing power. As consumers become more informed of agricultural and food issues, they are more inclined to buy organic products. Demand for organic products is also increasing significantly in Australia, Japan, the Czech Republic and parts of Latin America (Maccari 2007).

Worldwide forecast annual growth rates in organic consumption are around 10%, except for the UK which is predicting minimum or no growth following declining sales in the GFC (Soil Association 2011). The apparent levelling off of demand for organics in the Netherlands, an early adopter of organics, had been interpreted by some as a pointer to organics eventually maturing to the ‘healthy niche’ sized segment worldwide, but renewed growth in the Netherlands in 2010 suggests there may be room for a larger “niche”.

Fairtrade: Fairtrade has experienced impressive growth. In the last four years global sales have more than tripled and hundreds more producer organizations have become certified. In 2009 the global

Fairtrade market reached €3.4 billion, a jump of 15% from 2008 (FLO 2010). Forecast growth in Fairtrade varies internationally with the UK celebrating 40% growth in 2010.

Growth Forecast - World Situation

In 2010, the world organic food market was valued at $US59.3 billion (retail) and is forecast to reach $US88 billion by 2015. By 2012 the worldwide organic sector is forecast to be worth $US130 billion and the fairtrade sector to be worth $US9 billion.

Implications - World Situation

While forecast growth rates for organics and fairtrade are exciting, these sectors are still niche markets and there is a long way to go before ethical consumerism occupies mass-market status.

In Summary – Market Size

- The UK, Western Europe, the USA and Canada dominate the ethical food market accounting for 97% of organic and fairtrade sales (Maccari 2007). Boycotts are an important component of the worldwide ethical food sector and second only to organics in the UK.
- UK: The value of ethical food sales doubled between 2001 and 2006. Ethical food sales accounted for 5% of total food sales in 2006 and are forecast to reach 10% by 2010.
- Western Europe: Growth rates for organics vary country-to-country but most Western European nations report 5% to 7% pa sales growth. Sales in the Netherlands, an early organics adopter, are showing signs of maturation. European sales of fairtrade foods grew between 50% and 100% between 2004 and 2006 but from a very low base.
- USA: Organic food now represents 2.5% of total US food sales - $US14.6 billion in 2005. The overall ethical foods business has been experiencing double-digit annual growth from 2002 to 2005 compared to single digit growth for conventional products.
- Canada: Has followed comparable trends to the US and ethical foods account for a similar proportion of overall food and beverage sales, ie between 4% and 5% of total sales.
- Japan and Asia: The organic sector is growing strongly in wealthy urbanised parts of Asia and especially in Japan. Other aspects of ethical foods including free range, fairtrade and the environment are less well developed. Asian consumers purchase ethical products for their health attributes.
- Australia: The ethical food movement is less well advanced in Australia than in either Europe or North America, but more advanced than in Asia. Organics, for example accounts for less than one per cent of total food and beverage sales. Growth in the ethical food sector is forecast at 25% pa for organics and 50% for fairtrade the next five years.
- New Zealand: Has embraced the ethical food movement at the same pace as Australia. Fairtrade sales have grown rapidly and an estimated 25% of New Zealanders are classified as ‘solution seekers’ interested in actively addressing ethical challenges.
- Other parts of the globe: Emerging but very small ethical food sectors in Eastern Europe (Czech Republic) and Latin America (principally Brazil).
- Worldwide: While organics is forecast to grow at 20% pa and fairtrade at 25% pa through to 2012 it needs to be remembered that these sectors are still niche markets and there is a long way to go before ethical consumerism occupies mass-market status.

5. International Supply – Sources and Impact

Ethical food and beverage sources of supply, with reference to organic and natural, fairtrade, free range animal welfare friendly and environmentally responsible and sustainable production system attributes are discussed and supply opportunities identified. The impact of sourcing ethically on both producers and firms is also reviewed.

Supply Sources and Capacity

Organic and Natural

Location of Supply: The following points are noted from the literature in relation to world organic supply:

- The UK, Western Europe, the US and Canada all have significant domestic supply bases. However, the popularity of organic food and beverage is growing faster than domestic capacity to supply. There is a strong demand for imports in these countries (raw commodities and manufactured products) but international trade is dampened by inconsistent organic standards between the major trading blocks.

- The largest increases in organic food production in the last decade have been in Asia, Africa and Latin America. All three regions have reported triple-digit growth in organic farmland during this time. The growth in production in Asia, Africa and Latin America has been firmly directed at supplying the export sector although domestic demand in India, China and parts of Latin America is growing strongly.

- Australia and New Zealand have a substantial production base from which to supply both domestic and export markets. Like other countries, the significant increase in organic lines in supermarkets presents a challenge to the organic industry to meet the increased demand. Australia has the most organic land in the world (12 million hectares), most of which is extensive grazing (Willer and Kilcher 2011).

- In 2009, there were 1.8 million organic producers around the world, an increase of 31 % on 2008, mainly due to a large increase in India. Forty per cent of the world's producers are in Asia, followed by Africa (28%) and Latin America (16%) (Willer and Kilcher 2011).

'Natural' foods and beverages lack sufficient objective description to define in terms of international supply.

Products Demanded:

- The North American market has overtaken the European market to become the world's largest. But supply continues to fall short in many product categories, leading to imports from various countries. Latin America has become a major source of organic fruits, vegetables, meats, seeds, nuts and ingredients (Organic Monitor 2010).

- Worldwide, organic fruit and vegetables are the largest organic product category, followed by dairy products and beverages (Organic Food Monitor 2010).

- Future demand will focus on manufactured organic products and ingredients for these products are expected to be in strong demand.

Supply and Demand Balance: At the current time:

- There is a worldwide undersupply of organic produce.
- Undersupply is most acute for organic fruit and vegetables, meat, dairy and ingredients.
- The ingredients category, including commodities used in processed meals, bakery, confectionary and other complex food products, is most undersupplied in the US.

Fairtrade

In 2009, there were 827 producer organisations in 60 countries, an increase of 11% from 2008.

Table 5.1 lists the number of organisations and the countries in which they are based for each of the three FLO producer networks.

Table 5.1 Location and Number of Fairtrade Producers' Organisations 2009

Latin America & Caribbean	Africa & Middle East	Asia
Producer Organisations: 476	**Producer Organisations: 231**	**Producer Organisations: 120**
Members & Workers: 280,000	**Members & Workers: 760,000**	**Members & Workers: 189,000**
20 Producer Countries	**28 Producer Countries**	**12 Producer Countries**
Argentina	Benin	China
Belize	Burkina Faso	India
Bolivia	Cameroon	Indonesia
Brazil	Comoros Islands	Kyrgyzstan
Chile	Côte d'Ivoire	Laos
Colombia	Democratic Rep. of Congo	Pakistan
Costa Rica	Egypt	Papua New Guinea
Cuba	Ethiopia	Philippines
Dominican Republic	Ghana	Sri Lanka
Ecuador	Kenya	Thailand
El Salvador	Madagascar	Timor-Leste
Guatemala	Malawi	Vietnam
Haiti	Mali	
Honduras	Mauritius	
Jamaica	Morocco	
Mexico	Mozambique	
Nicaragua	Palestine	
Paraguay	Rwanda	
Peru	Senegal	
Windward Islands	Sierra Leone	
	South Africa	
	Swaziland	
	Tanzania,	
	Togo	
	Tunisia	
	Uganda	
	Zambia	
	Zimbabwe	

Source: FLO Annual Report 2010

The number of fairtrade producers' organisations increased from 221 at the end of 2001 to 827 at 31 December 2009.

Products Demanded: Table 5.2 shows the volume of major Fairtrade products in 2009.

Table 5.2 Fairtrade Sales Volume by Major Product 2009 (metric tonnes)

Product	World Sales Volume 2009	Percentage Increase %
Flowers & plants*	335,893	8
Bananas	311,465	4
Sugar (cane sugar)	89,628	57
Coffee (roasted, instant)	73,781	12
Fruit juices	45,582	62
Cotton - 1,000 items	23,346	-15
Fresh fruit	20,091	-24
Cocoa (cocoa beans)	13,898	35
Wine – 1,000 litres	11,908	33
Tea	11,524	1
Rice	5,052	8
Honey	2,065	0
Nuts and oilseeds	859	13
Herbs and spices	578	266
Quinoa	556	1
Dried fruit	541	-24
Sports balls	118	-16

*1,000 stems

Source: FLO Annual Report 2010

In addition to the popularity of coffee (the original fairtrade product) and bananas (a major Third World commodity), rapid one year growth has been experienced in Fairtrade sugar, fruit juices, herbs and spices.

Supply and Demand Balance: At the current time fairtrade product supply outstrips demand by a significant margin.

Free Range and Animal Welfare Friendly

Location of Supply: Free range and animal welfare friendly foods and beverages tend to be sourced domestically in their country of consumption – UK, Western Europe, North America and Australia and New Zealand. This group of ethical foods has either not reached a point of maturity where international trade is possible or the products produced do not suit export, e.g. fresh free range eggs.

Supply and Demand Balance: Nothing in the available literature points to a current shortfall in supply. Growth in First World demand through to at least 2015 is projected.

Environmentally Responsible and Sustainable Production Systems

Location of Supply: Environmentally responsible ethical foods encompass sustainable production, local production, seasonal supply, food free from excessive packaging and sympathetic to waste reduction (see Chapter 2). This group of ethical foods is produced and consumed domestically in the First World.

Supply and Demand Balance: The diffuse and small-scale nature of this group of ethical foods makes supply forecasting difficult. As with free range and animal welfare friendly, ethical foods growth in First World demand through to at least 2015 is projected.

Does Purchasing Ethical Foods Make a Difference?

Implications for Producers

Fairtrade International (FLO) estimates that 1.2 million farmers and workers benefit from Fairtrade sales globally (FLO 2010). During 2009, on top of the fair price paid to producers, Fairtrade goods generated premiums of €12.6 million euros in Africa, €5.6 million euros in Asia and €33.8 million euros in Latin America. Independent auditing of the fairtrade system (Institute of Ethical Studies UK in Fletcher 2006) and arms length economic analysis uphold the claims made by fairtrade certification organisations.

Sceptics might argue that improved market access to First World countries (especially UK, Western Europe, US, Canada and Japan) would assist even more Third World producers than the current oversubscribed fairtrade movement.

First World evidence for organics, free range and environmentally sustainable ethical foods is less available. However, higher prices for these ethical foods at both retail and the farm gate are encouraging, especially for smaller-scale producers who are the current backbone of the First World supply base.

Implications for Corporates

Implications of growth in the ethical food and beverage sector include loss of markets for leading large-scale companies, e.g. Dole (a US based international fresh produce grower and marketer) has been pushed out of some banana markets following commitment by leading retailers such as Migros (Switzerland) and Co-op (UK) to stock only Fairtrade (Lewis 2007).

Meanwhile, categories that may have otherwise experienced a drop in sales have been revived by growth in the ethical food system. For example, younger consumers have been increasingly snubbing hot drinks for cold drinks, and confectionery is perceived by these same consumers as being ‘unhealthy’. Yet Café Direct, Clipper (hot beverages) and Green and Black’s (chocolate) have revitalised interest in their respective categories and at the same time commanded higher prices that would have previously been unattainable (Lewis 2007).

In Summary – International Supply and Impact

- Organics: First World supply is increasingly being augmented with imports, including imports of raw organic commodities from the Third World and trade in processed organic foods and beverages. Demand outstripping supply. Undersupplied sectors include fresh produce, meat, dairy and ingredients.

- Fairtrade: Growth in demand for ongoing Fairtrade staples such as coffee, tea and bananas being augmented by additional commodities such as wine, sugar and rice. Supplied exclusively by the Third World, supply outstripping demand.

- Free Range and Animal Welfare Friendly: Supplied by farmers in the First World to domestic consumers. Low levels of international trade. Growth in demand forecast.

- Environmentally Responsible and Sustainable Production Systems: By their nature, ie low in packaging, locally sourced and seasonal supply, this group of ethical products is produced by domestic, often small-scale, producers in the First World for domestic consumption. Further growth in demand forecast.

- Available evidence suggests that First World consumers who seek out ethical foods are providing tangible benefits to both producers in the Third World and small-scale First World farmers. Firms that supply ethical foods and beverages are sometimes revitalising stagnant categories and commanding higher prices.

6. Emerging Sector Trends and Risks

Emerging sector trends are described for each ethical food attribute. Risks are described on the same basis. Key trends and risks are developed in additional detail so that conclusions can be drawn on the implications for Australian agriculture in the following chapter.

Trends in the Ethical Food Sector

From a review of the worldwide literature, the following trends in ethical food and beverage emerge:

- Organics, as a share of total food and beverage sales, continues to grow as multiple organic product lines are increasingly available in supermarkets and the range of manufactured and catered organic products continues to develop.

- Growth in organic food and beverage consumption in Europe, North America, Asia and Australasia remains strong. Forecast growth is around 10% pa through to 2015.

- Processed organics is growing quickly in Australia (Mitchell et al 2010), the UK (Soils Association 2011) and the US (Packaged Facts). Demand for organic ingredients for processing, especially for the manufacture of products for babies and children, is a worldwide trend.

- Consumers are seeking additional value from organics not just knowledge that the production system is good (Organic Monitor 2010). Additional value might, for example, take the form of research results demonstrating the health and environmental benefits of organic consumption.

- US consumers are placing greater importance on third party certification of ethical foods, labelling clarification and simplification. OFA in Australia and IFOAM internationally are in the process of responding to this challenge for organic ethical foods. There is a requirement for the sector to become more sophisticated and professional.

- Fairtrade, animal welfare, free range, locally produced food and environmental aspects of ethical foods have all become more important to consumers in the US, UK and Australia.

- Fairtrade is growing at a faster rate than organics in Western Europe, North America and Australasia and is forecast to continue to do so through to at least 2015. By 2015 the average First World consumer is expected to purchase at least one fairtrade product on a regular basis.

- New Fairtrade product development has been fundamental to the progress of this sector with many more Fairtrade products coming on line including sugar, cotton, fruit juice, rice, wine, honey, quinoa, nuts and oilseeds.

- In 2008 Weisbrot, writing in the Journal of the Australian Law Reform Commission, predicted that ethical animal treatment would be the next great social reform movement in Australia. The powerful reaction of Australian consumers to live footage of Australian export cattle being mistreated in 2011 suggests he was correct, and this will have positive consequences for the 'free-range animal welfare friendly' component of ethical food demand.

- The 'food miles/kilometres' aspect of ethical foods popular in the northern hemisphere, and in the UK in particular, may have a limited life as research demonstrates a poor connection between food miles and total carbon emissions. However, the GFC has resulted in increased consumer interest in local food as a means of supporting local producers and local economies.

- Higher prices are still apparent for ethically produced food and beverages but are expected to narrow over time, as consumers demand better value and large food companies are able to achieve scale economies in production and supply.

- Supermarkets are increasingly stocking ethical food lines because they are profitable. This is providing consumers with a 'one stop shop' option and augmenting specialty store and farmers' market outlets. Farmers' markets are a major and increasingly important outlet for ethical foods right across the First World.

- Large corporates including the major multinationals are embracing the ethical food movement, adopting ethical behaviours and offering ethical product lines. Retailers are also placing pressure on their suppliers to adopt ethical modes of business.

Risks for the Ethical Food Sector

- As ethical food is increasingly embraced by major corporations and becomes more mainstream, there is a risk that ethical foods will be seen to 'lose their soul'. Critics suggest that if care is not taken 'ethical' may be devalued over time and become just another marketing buzz phase. Australian research conducted in 2010 confirmed the importance of this issue by reporting that over 60% of Australians are sceptical about "green" claims made by business, and this is a serious constraint to making further purchases (Mobium 2010).

- Given this scepticism, consumers may quickly become cynical if they find that products for which they are paying higher prices, are not as ethically sourced as they were led to believe. The sector must embrace labelling clarification and third party audit (in addition to the facilitation of international trade in ethical foods as discussed in Chapter 5).

- Some commentators have suggested that ethical food is only a passing fad. Ethical cosmetics, it has been argued, peaked in the late 1980s and early 1990s in the First World with the likes of the Body Shop and has declined in market share ever since. Consequently, the argument goes, ethical food risks the same fate. However, far from peaking, the market for ethical cosmetics is enjoying a major resurgence globally. Organic Monitor estimates that the global market for natural and organic cosmetics is growing by over $US1 billion per annum and exceeded $US7 billion in 2008. Organic Monitor forecasts continuing growth potential (Organic Monitor 2010).

- There are subjective moral dilemmas and compromises within the ethical food sector that are not always simple for consumers to navigate. For example, some argue that there are moral hazards associated with those parts of the ethical food movement which rely on low productivity to produce high priced foods (e.g. organics and free range) rather than low cost, high capacity 'feed the world' alternatives (e.g. intensive animal production systems). Consumers have to navigate their own route through such choices and will not always support all ethical food products.

- The ethical food movement is currently at risk from changing global economic fortunes. Higher food and fuel costs and other economic pressures are having a critical impact on how consumers shop, cook and dine according to the Food Marketing Institute, which represents US supermarkets. Consumers are buying food for meals at home rather than restaurants, are buying fewer 'luxury foods' and more generic, store-brand items and eating leftovers more than they used to. This appears to be a temporary cyclic trend working only partially against a larger ethical food movement. In time consumers will adjust expectations in relation to higher fuel and food costs.

Will there be Higher Prices for Ethical Foods and their Producers?

International market research indicates that a proportion of consumers are willing to pay more for ethical foods:

- In Australia, 11% of consumers have been classified as "leaders" in the ethical food market. They are willing to pay more for ethical foods and currently do so. However, research also indicates that willingness to pay premiums in a general sense in Australia has consistently declined since 2007, a trend exacerbated by the GFC, which saw a 40% decline in 2009 in the number of Australians who say they are willing to pay 25% more for ethical products and services (Mitchell et al 2010).

- A UK study recently compared shopper's level of interest in ethical issues with their actual purchasing behaviour (DEFRA 2011). The study confirmed that while there is a gap between attitudes and behaviour, both *the importance given to the issue* and *claiming to actively seek a product*, were key determinants of behaviour. The study concluded that there is significant market opportunity in the area.

- A survey of 20,000 consumers in ten markets in January 2009 found that even with the global economic recession, consumers did not lose sight of sustainability when making food and fibre choices with 48% stating that they were willing to pay 10% more for products produced in environmentally and socially responsible ways (HAVAS 2009).

- The peak body for the international grocery and retail supply chain, IGD, conducted surveys of consumers in the UK and Europe in 2009 and 2010 which found that three-quarters of food buyers are interested in the ethics of what they eat and half expect to be buying more ethical food and groceries in the future (IGD 2009 2010).

- A survey of US adult shoppers in February 2009 revealed that almost one-quarter frequently buy certified organic food and beverage products and one-third are willing to pay more for organic goods, even in the midst of the recession (Packaged Facts 2009).

Available data indicates that this willingness to pay more for ethical foods is translating into higher prices at retail and through the supply chain to ethical food producers.

The extent of these price premiums is expected to narrow over time, as a broader group of consumers demand better value and corporates are able to achieve scale economies in supply.

Processing and Product Innovation

Recent innovation within the ethical food sector includes a wide range of processed convenience and snack foods. The UK Soils Association reports that organic baby food grew by 10.3% in 2010, despite an overall decrease of 5.9% in total organic sales in 2010 in the UK (Soil Association 2011).

Other new processed ethical food products include:

- Peruvian organic fairtrade nuts, the first nuts to be given the fairtrade mark;

- Fairtrade Easter eggs made with cocoa and sugar sourced directly from Third World growers;

- Chocolate that is fairtrade, vegan and organic - Venture Foods UK; and

- Chocolate snack bars that are vegan, dairy, gluten and wheat free and a high source of antioxidants - Gertrude & Bronner US.

Ethical foods are becoming more complex and an amalgam of ethically sourced ingredients.

Food industry analysts conclude that the future of the ethical food movement is about the launch of products across a wider number of retail categories to increase penetration and consumer interest. Organic Monitor reports that organic pioneers are adding social awareness or sustainability certification to their organic credentials. For example, one organic fruit and vegetable trader has launched a range of carbon neutral organic fruit and vegetables. Another supplier of organic and Fairtrade fresh produce has set up enterprises to help marginalised producers in Africa and Latin America. An increasing number of Fairtrade products are also organic (Organic Monitor 2009).

Categories likely to be the focus of ethical food development in the period to 2015 include:

- Pre-packaged healthy snacks such as nuts, dried fruit and seeds;
- Other confectionery (aside from chocolate) such as chewing gum and sugar candy/lollies;
- Bakery products; and
- Other soft drinks such as bottled water and carbonated soft drinks.

For ongoing growth in this sector:

- Taste is vital – if the products meet taste expectation, consumers will repeat the purchase;
- Price is an issue at the moment as consumers display very cautious spending patterns following the GFC;
- Education and awareness – is the key to growth – major manufacturers and retailers (multinationals) will assist this process as more and more companies enter the market.

Multinationals are Investing in the Ethical Food Sector

Moves by multinationals into organics, fairtrade, free range and sustainable products have significantly heightened awareness of ethical food products to a mainstream audience, with larger advertising and marketing budgets than the smaller independent companies that have characterised the sector in the past.

Recent multinational activity in the ethical food sector includes:

- Woolworths purchase of eight Macro Wholefoods Market stores in 2009, which it re-badged as Thomas Dux stores, and then introduced the Macro Wholefoods Market as a private ethical label within its supermarkets. The label has natural, organic, gluten free and free range products throughout the store.
- Cadbury's acquisition of leading fairtrade and organic chocolate company Green & Black in 2006 and Cadbury's commitment to make its Dairy Milk brand Fairtrade;
- McDonald Australia's decision to source only sustainable coffee certified by the Rainforest Alliance for all Australian McDonald outlets, including McCafe; McDonald Europe's decision to sell only Marine Stewardship Council (MSC) certified fish in its stores across Europe from October 2011;
- Douwe Egberts and Nestle's launch of separate fairtrade certified freeze-dried instant coffee brands in Britain (2005); and
- Marks and Spencer's launch of Plan A which contains a range of commitments across the ethical food sector including tripling organic sales, increasing the range of Fairtrade products (currently

350), converting all fresh pork, duck, geese and turkey to free range by 2012 and ensuring all M&S fruit, vegetables and salad is 100% free of pesticide residue by 2020.

More multi-nationals are expected to target the ethical food and beverage sector over the period through to 2015, which could promote Fairtrade into the realms of the mass market and prove enormously successful for the producers, but may prove less popular with some ethical purists looking for a more independent route to success.

The Fairtrade movement has come under recent criticism for its links to ‘big business’. For example, Nestlé’s Partners’ Blend coffee in Europe has been certified as Fairtrade. Nestlé markets more than 8,000 non-Fairtrade products, and is accused of trying to use one ethical product to ‘greenwash’ its badly tarnished image.

In Summary – Trends and Risks

Key trends emerging in the ethical sector are:

- Fairtrade, animal welfare, free range, locally produced and environmental aspects of ethical foods are becoming even more important and growing at a faster rate than organics through to 2015. However, ethical foods will remain a niche.
- A maturing organics sector that includes a requirement for independent product validation and the need to demonstrate additional value beyond the production system.
- Increased demand for processed ethical foods, especially in the convenience food, baby food and snacks for children areas.
- Growth of new product development, particularly in the Fairtrade sector, as a necessary condition for ongoing ethical food growth.
- Price premiums for ethical foods are expected to narrow over time, as consumers demand better value and large food companies are able to achieve economies of scale.
- An expanded presence by multinational food companies who will embrace the ethical food sector and in so doing provide it with additional momentum.
- Increasing recognition by the multinational food production and processing sector that the ethical foods segment is a new market niche which they will ignore at their peril; in fact they are anticipated to embrace and promote it, which in turn means they will have to professionalise supply contracts and supply chain performance.

Risks to the ethical sector include:

- There is a risk that as big businesses embraces ethical food production and marketing the sector will lose its credibility with some of its current advocates.
- Ethical foods must battle against what some perceive as a moral hazard of promoting what are essentially high priced low productivity luxury goods in a world currently pressed for sufficient food resources and the current cyclical downturn in consumers’ fortunes. This risk is noted, but is possibly overstated by some commentators.
- There is some risk that the ethical foods take-up might be derailed by interest groups like PETA overstepping the mark on what is palatable to the public – ‘dolphin friendly tuna’ was easy; anti whaling receives a great public response; kangaroo cull is emotional; mulesing looks bad and it is relatively easy to target 70,000 individual woolgrowers; live sheep exports are an ongoing issue following the huge public response to video footage of their mistreatment in 2011.

7. Australian Agriculture SWOT Analysis

The above ethical foods situation assessment was used to prepare an Australian agriculture SWOT analysis covering the main ethical food segments – organic/natural, fairtrade, free range/animal welfare and environmentally responsible/sustainable. A targeted opportunities/threats analysis was also prepared for major Australian agricultural industries. The SWOT was prepared following informal consultation with RDCs and Australian stakeholders.

Table 7.1 Australian Agriculture SWOT Analysis

Sector	Strengths	Weaknesses	Opportunities	Threats
Organic/Natural	Strong production base, extensive areas and production systems which could be converted to organic if profitable and practical to do so. Strong international perception of a clean/green environment.	Industry is diversified and fragmented, multiplicity of certification systems, small producers often producing small quantities of variable quality.	Worldwide undersupply of organic products – import replacement and exports. Ingredients for manufactured products.	Failure of industry to present market and consumers with a consistent 'brand' of quality product at all times.
Fairtrade	Only third world producers supply Fairtrade. In future, there may be opportunities for Aboriginal enterprises (e.g. Gulf fishing, or cattle in Kimberley) to participate in Fairtrade programs.	Fairtrade currently supplied by the developing world only. Australian agriculture cannot supply at this time.	Australian producers and processors working in conjunction with Pacific islands, PNG, East Timor communities to maximise developing world outputs. Possible opportunities for new and existing Aboriginal enterprises.	Fairtrade is expanding out of commodities that Australia produces very little of (coffee, tea, cocoa) and into areas where Australian agriculture might find itself competing in export and domestic markets (wine, rice, and sugar).
Free Range / Animal welfare	Australia traditionally reliant on extensive production systems for beef, dairy, sheep meat. Extensive systems mean low input and low cost.	Increasing reliance on intensive animal production systems (beef feedlots, dairy feed pads, lamb feedlots, intensive piggeries, broiler plants, caged laying hens etc). 'Brand Australia' possibly tarnished by current mulesing and live export issues.	Opportunities for humanely treated animal products as the market grows – beef, sheep meat, pork, chicken meat, dairy, eggs, etc. Third party certification. Labelling clarification and simplification.	Regulations to increase ethical production behaviour of the type raised by UK consumers and the legal fraternity in Australia, potential for boycotts, more of the PETA type actions linked to sow breeding systems, castration, dehorning(cattle) and livestock slaughter; inconsistency between certification requirements between countries.

Sector	Strengths	Weaknesses	Opportunities	Threats
Environmentally Responsible / Sustainable	Conventional agriculture well advanced with EMS and other environmental performance demonstration systems.	While progress has been made, conventional agricultural systems have some way to go before they are successfully modified.	Scale of the opportunities unlikely to be matched worldwide, organic Australian beef is a good example of scale and organic credentials.	Concern with the environmental damage done by all types of animal production, emotional issues. Beware of administrations anxious to demonstrate their 'greenness' to electorate.

Generic SWOT Analysis Conclusions

- This scoping study demonstrates that consumer demand for ethically produced food has been increasing steadily globally, and is forecast to continue to do so over the next five to ten years. Ethical externalities will have to be internalised in the same way that environmental externalities have been since the 1960s. The speed with which this occurs and the degree to which it happens will be a function of consumer interest and commitment and government willingness to intervene.

- The spread of the ethical 'take-up' will be underpinned by the apparent seriousness (to consumers) of the various ethical drivers. For example, caged birds represent a serious emotional driver for many consumers, whereas lower prices for a commodity in a developing country may not be of as much concern for the vast majority of Australian consumers. The response to the footage of live cattle exports being mistreated is a case in point – it would be easy to envisage a similarly successful campaign being mounted against cattle dehorning and castration.

- Producers might be prudent to note that when governments move in support of an environmental or animal welfare provision, there is a probability that the legislative pendulum will swing too far from the middle. Ongoing proactive engagement with the legislature and ethical foods interest groups by producers is required.

- While there may be a wish from the productive sector that the 'good old days' of farmers being the self-regulators of farm production ethics (and land stewardship) will reappear, the likelihood seems remote. The advent of Green politics, the conservation movement and rising concern about climate change are the underpinnings of the public at large taking more than a passing interest in what takes place on farms and its relationship to the food they eat – that interest shows every chance of becoming much more significant as the younger generations take up their political responsibilities. There are strong indications that those born since 1970 are likely to participate actively in the natural resource, environment and food ethics areas.

- The commercial upside from a more environmentally and ethically aware community would appear substantial from an Australian agricultural standpoint. The sheer scale of the Australian production base would support a wide range of organic and ethical food production systems. The downside to substantive expansion might be that:

– Available practical commercial technologies might not be currently available (R&D required);

– Markets particularly for exports might be undeveloped and/or inconsistent; and

– Commercial profit margins might be elusive, especially from start-up.

- Government and industry working cooperatively have the potential to provide the policy and commercial frameworks needed to underpin change. Producers will respond to commercial opportunities when they appear.

Industry Specific Opportunities and Threats

From the ethical foods situational assessment and the above SWOT analysis for Australian agriculture an industry specific opportunities/threats matrix was prepared – Table 7.2.

Table 7.2 Australian Agriculture Ethical Opportunity/Threat Matrix

Sector/RDC	Ethical Opportunity	Ethical Threat
Beef and sheep meat (MLA)	Free range and natural (not factory feedlot) grass fed production Organic Price differential will drive opportunity uptake as production costs are likely to rise	Consumer perceptions of environmental damage caused by meat production (State of Green Procurement 2004) Ethical consumers pointing to the poor conversion of grain to meat (Schlosser 2007) Threats from mulesing then dehorning, castration techniques
Beef cattle feedlotting (ALFA)	Low intensity feedlots (opportunity feedlots) where stock have access to pastures and some grain supplements	High intensity feedlots raise issues of animal welfare, effluents and the environment and social impacts
Live sheep and cattle exporting (LiveCorp)	Opportunity is one of training recipient country staff, rigour in refusing sales to customers with adverse form and an educational program for the Australian public	This industry is very sensitive to demonstrations and boycotts and to political issues.
Wool (AWI)	Alternative animal welfare friendly production based on comparative advantages in natural, non-fossil fuel generated, extensive production	Mulesing: though wool is not an ethical food, mulesed ewes have lambs which end up being slaughtered for meat
Pigs (APL)	Free range systems as in use in UK and Europe Conversion to new systems means that government ‘assistance’ might be required.	Australian Pork Industry to voluntarily phase out sow stalls altogether by 2017 Imports are a commercial threat, but is the pork ethically produced?
Fish (FRDC)	Sustainable fishery management	Perception of current systems being unsustainable in all but a few instances
Eggs (AECL)	Free range and RSPCA labelling Organic Enlarged cage sizes Consumer education	Caged birds
Sugar (SRDC)	Co-operation with sugar producers in say Fiji may provide opportunities for joint products	Fairtrade sugar
Wine and Brandy (WBRDC)	Organic wine, non-alcoholic wine, wide range of opportunities available	Fairtrade wine growing very rapidly in the UK

As can be seen from the above table, many of the threats to Australian agriculture emanating from the ethical food movement relate to animal welfare. This also provides opportunity for Australian production systems.

8. Trade Implications for Australia

The trade implications, opportunities and threats, for Australia from growth in the ethical foods movement are presented in this chapter.

Opportunities

- Demand for organics is currently outstripping supply. Although Australia is one of the world's leading grain exporters, organic grains are currently imported to meet the shortfall in local production. The elimination of the wheat selling 'single desk' is likely to assist organic wheat exporters who have previously found it necessary to ship organic wheat in containers, an expensive process. Bulk shipments should now be possible. Broadacre organic wheat production would benefit from technology inputs to assist with soil fertility issues, weed control and pest and insect management.

- Grass fed free-range products that contrast with intensive production systems in the US and EU. OBE beef (http://www.obebeef.com.au/) produced in the Channel country (Queensland, South Australia and Northern Territory) has shown the way with a natural organic beef product (NASAA and USDA Organic certified) on a substantial scale.

- Strong international growth in demand for Marine Stewardship Council (MSC) certified sustainable fishing products provides opportunities for Australia. A number of Australian fisheries are certified and higher prices have been achieved by suppliers of MSC certified product to the UK (The Cooperative Bank 2007).

- Organic wine and non-alcoholic wine provide additional export opportunities for Australia. Europe, the US and emerging markets in Asia including China, Hong Kong and Japan are growth markets for this type of ethical product.

- Australia has strong technical 'know how' in the development and application of organic and ethical production and supply chain delivery systems. Export of this technology is a potential new industry for Australia.

- Linkage of Australian organic and ethical food inputs to inputs from the Pacific and near Asia to create joint products that meet organic and/or ethical fairtrade standards and are suitable for both the domestic and export markets. Products might be developed from commodities such as sugar, rice, coffee, tea and cocoa. Pacific and near Asia nations could provide organic and ethical ingredients and Australia could develop manufactured food products (e.g. organic/ethical chocolate biscuits).

Threats

- The single greatest group of threats relates to livestock production animal welfare issues. Australia is vulnerable here on a number of fronts and the recent temporary ban on live exports has shown that this type of threat has major economic consequences.

- The animal welfare movement has implications for all Australia's animal industries (plus zoos and agricultural shows) but particularly the intensive animal industries (eggs, chicken meat, pigs, feedlots, dairy).

- The failure of government to develop and implement coherent and integrated policies that facilitate the development of sustainable systems, including organic and ethical production systems, is a threat which must be considered. Consumer confusion around the definition of 'free-range' is one example where government intervention is required. Other possibilities would be public awareness and education programs encouraging the consumption of in-season locally produced foods. The expanding trade globalisation in which Australia is integrated means that governments will need to be ever alert to the potential for food items being imported which have been produced, processed and/or shipped under non fairtrade conditions.

- Failure of industry to adopt a common response which the public has no trouble understanding is also a threat for Australian trade. In the case of sheep mulesing, for example, there is a degree of infighting within the sheep industry which is damaging to its cause – the need for strategic alliances, associations, partnerships and cooperatives between and within producer groups, processor, supply chain and retailers will become very important if the benefits of ethical foods are to be maximised.

Recommendations

Findings of this study underpin the following recommendations:

- Growth in ethical foods from a small base infers some important opportunities and threats for Australian agriculture. Australian industry should be encouraged by structured R&D and communication planning for both emerging and established industries to address these opportunities and threats.

- While the ethical consumer movement is likely to remain a niche market, the size of the niche is likely to vary considerably depending on the base and timescale employed. In Europe where the organics movement has been in operation for many years, statistical evidence emanating from the Netherlands at one stage pointed to a flattening of demand growth, meaning that market demand may be becoming satisfied. As has been the case with the emergence of the relatively new Fairtrade movement in Australia, a new or additional consumer 'trigger' has the potential to motivate additional consumers and grow the overall ethical food sector. Policy makers need to be aware of the changing market shares of these key groups on an ongoing basis so that policies can be developed which are both timely and productive.

- Given the development of the sector in recent years, RIRDC should commission a further study by a Monitoring and Evaluation economist to establish a current sector database. This would allow updates as frequently as required at minimal cost. The first update should be budgeted for 2013.

- The R&D sectors embraced by RIRDC should be expanded to include ethical and fairtrade foods in association with the organic program. Possibly the organics R&D program could be expanded to include all aspects of the ethical foods movement.

- Given that organics and ethical food production differs markedly from conventional agriculture, there may be an incentive for these sectors to be sectioned out of the RDCs belonging to the larger industries and contracted to an institution like RIRDC with a particular commitment to the appropriate research area. To this end the larger RDCs need to be made aware of the final outcomes of this project and decisions made on what action might be required.

- Austrade (Australian Trade Commission) should add ethical and Fairtrade food market demands worldwide to their Australian capability promotion efforts so that opportunities for Australian producers and exporters might be maximised.

- Farmer organisations (NFF etc) ought to be encouraged to raise the awareness of developments in the ethical food and organics sectors so that producers are educated gradually to the threats and opportunities that are likely to present themselves. 'Left field surprises' appear to become entrenched threats much more quickly than expected whereas an awareness of an emerging trend has a much better chance of being accommodated both emotionally and commercially.

Appendix 1. Industry Directory

The following is a limited Australian and limited ethical foods directory. Contact details were current at the time of publishing.

Organisation	Name and Title	Contact Details	Role
Organics			
Organics Federation of Australia	Mr Andre Leu, Chairperson	Ph 07 4098 7610 leu@austarnet.com.au	Organics industry peak body
Biological Farmers of Australia	Dr Andrew Monk	Ph 07 3350 5716 andrew.monk@optusnet.com.au	Australian organic certifier
National Association for Sustainable Agriculture, Australia	George Devrell CEO	Ph 08 8370 8455 enquiries@nasaa.com.au	Australian organic certifier
Fairtrade			
Fair Trade Association of Australia and New Zealand	Steve Knapp, Chief Executive	www.fairtrade.com.au	FTAANZ holds Fairtrade fortnight, encourages communities to hold fairtrade markets, licences wholesalers – currently 100 in Australia/NZ and lobbies supermarkets to stock fairtrade products
Fairtrade Labelling Organisation			Is the international parent body overseeing the development of around 19 fairtrade labelling organisations
Free Range, Animal Welfare			
Humane Society International	Verna Simpson, Executive Director	www.hsi.org.au	Certification in Australia under the ‘humane choices’ brand
Royal Society for the Prevention of Cruelty to Animals		Ph: 02 6282 8300 www.rspca.org.au	Certify animal welfare friendly products in Australia
Others	Compassion in World Farming,	www.ciwf.org www.animalsaustralia.org	Bodies concerned with the welfare of animals
Environmental Responsibility			
Marine Stewardship Council	Duncan Leadbitter, Regional Director	www.msc.org	Certification of the sustainability of catch from wild fisheries
Slow Food International		www.slowfood.com	Opposing fast food and promoting dining as a source of pleasure
CERES		www.ceres.org.au	Community environment project Brunswick Victoria. CERES aims to foster awareness and action on environmental and social issues affecting urban areas.
Rainforest Alliance	US based	www.rainforest-alliance.org	Rainforest Alliance coffee growers undergo annual audits to check they protect the environment, stop deforestation and reduce chemical use. Unlike fairtrade, the Alliance does not guarantee farmers a minimum price for their beans but it says ‘market forces’ ensure growers get higher prices.

Appendix 2. Examples of Background Literature

A brief review of available literature relating to ethical foods is presented here. While some of this literature may be considered by some to be 'fringe', it sets the broader context for the study.

Singer and Mason 'The Ethics of What We Eat' (Text Publishing, Melbourne 2006)

Singer and Mason argue that the food scares of the 1990s, of which 'Mad Cow Disease' is the most well-known, exposed consumers' lack of knowledge about the origins of the food they eat, how that food is produced, by whom and under what conditions. Singer and Mason tackle this issue by sharing a meal with three families in the US, then tracing the foods they eat back to its production origins through the 'factory farming system'.

The authors' central message is that eating is a 'moral act' and that food choices have ethical consequences. As in Singer's earlier works, 'Animal Liberation' and 'Practical Ethics', this work argues from a 'utilitarian philosophical perspective'. According to Singer, all beings capable of suffering have interests worthy of equal consideration. Humans and animals have an interest in avoiding pain so a moral or ethical act is one that maximises animal interests and minimises suffering of all sentient beings (Selke 2007 http://www.organicconsumers.org/articles/article_1815.cfm).

The highest priority for the ethical consumer should be avoiding factory farming or Concentrated Animal Feeding Operations (CAFOs). They are undesirable for both the environment and welfare of animals.

Singer and Mason raise and answer a series of questions for ethical consumers – is eating organic food a more ethical choice than eating conventionally produced foods? Is locally produced better? Is eating animals that have led 'natural' lives acceptable? Is the consumption of wild caught fish okay?

Organically produced food, the authors argue, is generally better than non-organically produced food for the ethical consumer – organic produce has fewer adverse environmental and health consequences for consumers and the community. However, care is needed when purchasing. The authors warn of the need to watch for CAFOs that stretch organic criteria and large supermarket chains, which market 'natural' products in the same retail cabinet as organics. 'Natural' has no meaningful definition nor is it backed with certification or standards.

Ethical consumers should buy local but seasonal. Un-seasonal produce has environmental consequences such as the unsustainable heating of local cold climate greenhouses. Fairtrade is ethical but ethical consumers need to be mindful of air transport implications - large amounts of non-renewable fossil fuels are used in air transport of fairtrade goods from third world countries. Ethical consumers should support small independent farms rather than corporates and the CAFO system.

The ethics of animal consumption are questionable to Singer and Mason who argue a 'first best' position is vegan, then vegetarian and finally 'conscientious omnivore'. Consumption of fish, for example, is fraught with ethical implications – fish farms use vast amounts of wild catch to produce farmed food and the wild catch industry has a worldwide history of over fishing.

Singer and Mason take heart in the growth of the fairtrade movement.

Eric Schlosser 'Beyond Fast Food Nation' (lecture to Princeton University November 2007)

Schlosser is the author 'Fast Food Nation' (2001) and 'Chew On This' (2002) a book for young adults.

The ethical food movement is driven by abhorrence of the industrialisation of livestock and agriculture. The movement wishes to make known the high cost of cheap food. Schlosser claims that there has been a profound change in US agriculture and food production in the last 30 year. This change has been driven by the application of industrial systems to the production of fast food – the creation of production lines similar to nineteenth century factories. Production systems that take the skill out of the job and make it as simple and repetitive as possible ('were chefs now hamburger flippers', 'were ranchers now feedlot process workers'). In the US, Schlosser argues, it is the McDonalds hamburger company that has driven this change. McDonalds is the single largest purchaser of beef, pork, chicken, potato, lettuce, and apple in both the US and, surprisingly Schlosser claims, France. McDonalds therefore drives US agricultural production and processing systems. McDonalds require efficiency, uniformity, speed and low cost supply systems. McDonalds and other fast food chains require systems that are centralised, concentrated and industrial. Their systems produce cheap food but generate a range of externalities (costs that are not borne by the producer of the food). Factory farm externalities identified by Schlosser include:

- Environmental damage - mega processing plants and feedlot effluent waste streams, hormones (affecting wild fish populations) and heavy metals (e.g. arsenic fed as a trace element to broilers). Waste is spread on farmland and washes into waterways. The principal cause of water pollution in the US, Schlosser claims, is intensive livestock production. Waste from intensive livestock production systems, he argues, is impacting on wild fish populations (e.g. waste from east coast dairy systems).

- New diseases (e.g. BSE/Mad Cow Disease and deadly new *E. coli* strains) are the result of new 'products' – for example cattle fed cattle as a source of low cost protein meal. *E. coli* from industrialised meat patty production draws in recovered meats from many individual animals and species with resultant risks of contamination from micro-organisms not historically present in the food supply. Schlosser argues that a huge increase in food borne illness has coincided with the rise of factory farming systems. It is noted that feeding of meat meal to non-carnivores is now banned worldwide.

- Obesity – factory food is high in salt and fat. Consequently it tastes good and encourages over consumption. In the US it is also cooked in trans fats – industrially manufactured lipids with known human health costs.

- Antibiotic and steroid dosing of livestock to decrease illnesses caused by factory farming conditions and increase growth rates. Large-scale dosing of livestock with antibiotics has been linked to the rise of antibiotic resistant bacteria with consequent loss of antibiotic effectiveness in both livestock production and human health management. Steroid use has led to concerns regarding their transference through the food supply to human consumers.

- Anti-union behaviour – factory farm and food producers have been known to close restaurants and plants when workers vote to form a union.

Actions required by concerned citizens (ethical consumers), including personal responsibility and the decision by individuals not to consume these foods, are not enough. A legislative response is required to ensure externalities are internalised.

J.M. Coetzee 'On the right to life' in *Reform* the Journal of the Australian Law Reform Commission, Issue 91 Summer 2007/2008 Animals

(Professor John M Coetzee Adelaide University, Nobel Laureate in Literature and author of *Lives of Animals* [1999] and *Elizabeth Costello* [2003]. Patron of the animal rights group 'Voiceless'.)

J.M. Coetzee argues that 'the common understanding of the right to life for animals and their right to go on living' is not the same for all species— particularly for livestock, who are bred for their products and do not have the 'right to some kind of autonomous procreative life'. Coetzee argues that the difficulty of pushing for a right to life for animals that are bred to be killed is that any such right should include a right to procreate. 'Any putative right to life for animals has to be considered in conjunction with a right to multiply, which I take to mean a right to some kind of autonomous procreative life and therefore some kind of autonomous sexual life – the kind of right that animals in the wild still exercise, except, of course, that in their case it is not a right but a power' he writes. 'To argue for a right to life for livestock – animals called into being not for their own sake but solely to serve the interests of their owners – is tantamount to arguing for the extinction of some of the largest mammal and bird populations on earth.' He continues 'Animals are born, called into being, as dictated by the market, that is to say, the market for their 'products': the products of their life like their milk, and the products of their death like their flesh, their skin, and their bones and blood…' J.M. Coetzee concludes that consuming animals, under current mainstream production systems is not an ethical act.

Michael Pollan 'The Omnivore's Dilemma: A Natural History of Four Meals' (Penguin Press 2006)

In 'The Omnivore's Dilemma' Michael Pollan, like Singer and Mason, explores the question 'What should we have for dinner?' To answer this question, Pollan follows four meals, each derived through a different food-production system, from their origins to the plate. Along the way, he examines the ethical, political, and ecological factors that are intertwined in the industrial, large-scale organic, small-scale organic, and personal (hunter-gatherer) food chains, while describing the environmental and health consequences that result from our food choices within these chains.

Pollan concludes that there is a need for ethical consumers to 'reconnect' with the natural origins of food as well as our own human history, warning ethical consumers not to eat anything our great grandmothers would not recognise. The antithesis of ethical, natural eating Pollan argues is the current US craze for yoghurt squeezed from the tube directly into the mouth' (www.michaelpollan.com).

Marion Nestle 'What to Eat: An Aisle-by-Aisle Guide to Savvy Food Choices and Good Eating' (Farrar, Straus, Giroux 2006)

(Dr Nestle is Professor of Nutrition, Food Studies, and Public Health at New York University.)

Marion Nestle systematically analyses the contents and production system used to produce modern supermarket food. She takes the reader through a guided tour of the supermarket, beginning in the produce section (fresh fruit and vegetables) and continuing around the perimeter of the store to the dairy, meat, and fish counters, and then to the centre aisles with their packaged foods, soft drinks, bottled waters and baby foods. The book explains the implications of fresh and frozen, wild and farm-raised, organic and 'natural', and omega-3 and trans fats. It decodes food labels, nutrition and health claims, and portion sizes, and shows how to balance decisions about food on the basis of price, freshness, taste, nutrition, and health, but also social and environmental issues. It concludes on the need to enjoy the food experience, the importance of eating well, and through knowledge, changing the world for the better (http://www.foodpolitics.com/pages/whattoeat.html).

Loureiro, M L and Justus, L 'Do Fair Trade and Eco-labels in coffee wake up the consumer conscience' (Ecological Economics 2005)

Loureiro and Justus suggest that farmers in developing countries are supplying crops affiliated with ethical certification programs that aim to verify the fair working conditions, higher prices paid or higher environmental standards under which crops are grown. Loureiro and Justus report that farmers are participating in ethical labelling schemes to ‘emphasise the measures of care for the environment, social justice and quality standards’ and ‘make consumers in the First World aware of the social and economic problems of the developing world’. Importantly, Loureiro and Justus find that third world producers recognise that ethical consumers can be a source of market opportunity and that ethical consumers are willing to pay more for products with these attributes. Loureiro and Justus establish that the price elasticity for food products with qualities not actually inherent in their consumption such as fairtrade, employee work conditions and environmental stewardship is often greater than for products which are, say, simply organic.

In Summary – Landmark Contemporary Literature

Common themes uncovered from a review of the contemporary ethical consumption literature include:

- Eating is a moral act and our food choices have ethical consequences (Singer and Mason);
- Ethical consumption addresses animal welfare, environment protection, organics, local and seasonal produce, fairtrade, social justice and small firms (Singer and Mason);
- Abhorrence of the industrialisation of livestock and the consequences of ‘cheap’ food (Schlosser);
- The inherent right for animals to live and reproduce (Coetzee);
- The importance of natural and unprocessed foods – ‘eat food not food products’ (Pollan);
- Understanding the composition of what we eat (Nestle); and
- Fairtrade results in higher prices for Third World farmers and a measure of social justice for farmers, their employed labour and the supply chain (Loureiro and Lotad).

These themes are formalised and expanded in Chapter 2.

Glossary

Terms Used in Association with Ethical Foods

Term	**Definition and Source**
Ethicurean	A new word to describe a new kind of eater – diners whose ethical concerns take priority over epicurean whims. According to the website www.ethicurean.com ethicureans like their food as tasty as everyone else but they insist it falls into sustainable, organic, local and ethical categories – SOLE food, for short.
CAFOs	Concentrated Animal Feeding Operations (CAFOs) or factory farming take animals out of a natural ethical setting and place them in feedlot style operations (Singer and Mason 2006).
Dumpster Diving	Reclaiming of food and beverage from the waste stream
EWOL	Ethical Way of Living, where ethical concerns inform all consumer choices (Tinlin 2007)
Fairtrade	The Fairtrade label promised a fair price had been paid so farmers in the Third World were not undercut. It also guarantees sustainable farming practices and a contribution to social development projects. Fairtrade also embodies ethical codes of labour practice along the food supply chain and training is provided in emergency procedures, safer use of chemicals and safer working hours (Fletcher 2006).
Food Miles/Kilometres	Simplistic and often incorrect conclusion that the more kilometres travelled the more greenhouse gas is generated.
Free Range	Free range means freedom for animals to live relatively ‘natural’ lives more in tune with traditional farming practices than modern factory farming or CAFO systems.
Locavores	Or local eaters prefer food that is locally grown because it keeps dollars in local communities, supports small scale farming, and is better for the environment because it reduces carbon emissions associated with transportation and packaging waste (Selke 2006)
LOHAS	Lifestyles of Health and Sustainability is a $US229 billion US market for a wide range of goods and services including natural/organic foods and beverages, personal care, and household products; hybrid and electric cars; renewable energy solutions; alternative medicine; socially responsible investing; eco-travel; and other eco-friendly goods and services (www.lohas.com).
Natural	Natural food is organic, hormone and antibiotic free and does not include GMs (AgEconPlus this study)
Organic	Organic refers to the production of food using a ‘holistic systems approach’ in the absence of artificial inputs such as the use of chemical fertiliser, pesticides and agents for plant and animal disease control (RIRDC 2006)
Slow Food Movement	Antithesis of fast food – where ‘care and time’ is invested and ‘quality’ food is served (www.slowfood.com).
SOLE	Sustainable, organic, local and ethical food
Vegan	Veganism is a philosophy and lifestyle that seeks to exclude the use of animals for food, clothing, or any other purpose (Vegan Society website)
100 km club	Consumers who restrict their consumption to food grown within one hundred kilometres of their home

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Ethical Foods – International situation assessment, opportunities and threaths

by Michael Clarke, AgEconPlus Pty. Ltd.

Publication No. 11/147

This report is an international situation assessment of the ethical foods movement and a strengths, weaknesses, opportunities and threats (SWOT) assessment for Australian agriculture.

The report is targeted at research managers in Research and Development Corporations/Companies (RDCs), policy makers and farmer organisations.

An increasing number of consumers are making purchasing decisions informed not only by traditional factors like price and convenience, but also by ethical concerns about how their food was produced. These concerns include animal welfare issues, environmental protection, the working conditions of people producing the food, the impact of chemicals and other production methods and the impact on small local producers and businesses.

The immediate target of this research is policy planners and policy makers — particularly those working in transport infrastructure.

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