SERI Background Paper

Organic food in Austria: Production and Consumption Patterns

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1. Introduction

"According to the European Environmental Agency (2005) approximately one third of total environmental impact from households can be related to food and drink consumption" (EEA, 2005). "The project 'Sustainable Food Consumption in Austria; Trends and Options (Acronym: Sufo:trop)' focuses on food consumption patterns in Austria, and by relating them to economic data from households, it makes policy recommendations related to sustainable food consumption. The overall objectives of the project are to contribute to a transition to a more sustainable food consumption in Austria through an improved understanding of food consumption patterns and trends and their direct environmental impacts. Policy recommendations will be based on detailed analysis of trends and patterns, as well as dialogue with stakeholders. Sustainability in food consumption is quite a large area, and this paper only discusses one particular sector, that of organic food. The focus is thus on the area of organic farming, marketing and consumption in Austria. This paper argues that the patterns of organic food production, marketing and consumption are characterized by a direction change from a very specialized, ideological niche to a more commercial, but also more accessible sector of the food market.

Since the mid-1990s, there has been a significant increase in the demand for organic food in Austria, partly spurred by food scandals such as the BSE-scare. Austria has one of Europe's largest shares of organically managed land, in total cropland (11.6%), (Groier, 2005 p.13) and the big supermarket chains, such as Merkur, Billa and Spar have special organic brands with a large selection of products with a steady increase in product variety, these brands have at present the largest market share of the total sale of organic food. The current situation is a clear change from small, specialized shops being the only retailers of organic food. While the large volumes of food sold by the supermarkets have pushed the prices down, it is also more convenient for consumers to buy organic food in the supermarkets along with all their other shopping than to do it separately in specialty shops. This has resulted in an increase in demand for organic food.

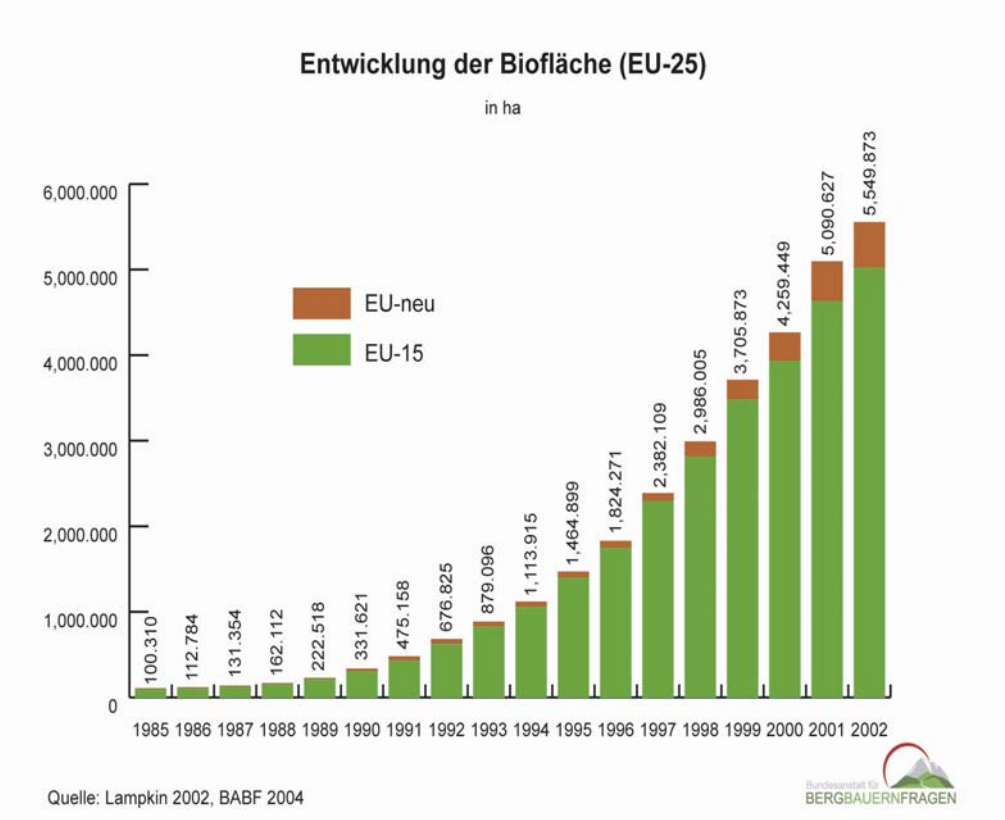
In this paper, Section 2 looks at how organic farming in Austria has developed, and how it currently differs from other countries. Section 3 discusses the different retail venues (i.e. supermarkets and specialty shops) for organic food and the advantages and disadvantages associated with each of them, while Section 4 is about consumer patterns and demographics, looking at who buys what, were, and why. Section 5, the conclusion, attempts

to tie all the issues together and discusses whether the current developments are positive or negative for environmental sustainability.

2. Organic farming in Austria

This Section reviews the development of organic farming in Austria since its early beginnings, and also draws a comparison to other countries. Organic farming in Austria goes all the way back to the 1920s, as a protest against the increasing effect of industrialization on peoples' lives. However, it took until the 1980s before organic farming really started expanding. This also occurred in the rest of the EU, which can be seen in figure 1 below. The real boom came in the early 1990s, when organic farmers started to receive direct subsidies from the state. The number of organic farms then grew rapidly with a peak in 1994/95 with the addition of 5,000 new farms, as Austria joined the European Union and the farmers got access to more subsidies (Ollmann, 2004 p.24 and Groier, 2005 p.12). However, with this large increase, the market became saturated, and so in the end of the nineties we see a consolidation phase where the number of farms decreased with approx. 2,000 farms, to then rise again with about 1,000 farms (Groier, 2005 p.25). In 2003, Austria had 19,056 registered organic producers (Rohner-Thielen, 2005 p.4).

Fig.1: Development of organically grown areas in ha of EU-25



Source: Groier, p.16

Over the years, organic farmers have become more and more organized, with over 70% being members of umbrella organizations. Of these, 87% are part of the largest Austrian organization for organic farmers, Bio Ernte Austria, which have their own criteria, sometimes stricter than EU standards.

Comparable to other European countries, during the past 20 years, many different organic associations developed, either on a regional level or with a different understanding of "organic culture". This has lead to a difficult situation of differing and competing interests, which even weakened the importance of organic agriculture's associations in Austria. After the “Bio-Enquete 2002” the situation changed: The Minister of Agriculture at that time, Wilhelm Molterer, instructed the chairman of ARGE Biolandbau to initiate the formation of a competence centre for organic agriculture. Since beginning of 2003, organic umbrella organizations (ARGE Bio-Landbau and ÖIG, Bio-Ernte Austria's federal organization) and their member associations are working on a complete change of the situation in Austria. “The umbrella organizations will be united and replaced by one new association "BIO AUSTRIA". Advisory, quality management, product management, research and innovation, consumer information, marketing, etc. are organized in a better, much more efficient way, which will give farmers and processors better service and consumers more security and quality” (Klingbacher, 2004).

Altogether, this streamlining aligns very well with the requirements of the big supermarkets that force organic farmers to rationalize and to decrease their production costs. Nigg and Schermer (2005), however, ask whether the Austrian focus on organic farming is actually a real change in the direction of Austrian agriculture, or just the conventional food sector using consumers’ trust in organic food to their advantage. They also point out that due to the increasing demand for processed organic food, such as microwave meals, frozen food, etc. the processing of organic food is, in their opinion, identical to that of conventional food. This, they argue, reduces the concept of organic to the production of the raw materials. The originally closed cycle of production of organic food, i.e. regional production and consumption, is now being opened, which increases the risks of problems and food scandals (Nigg and Schermer, 2005 p. 106).

Because organic farmers receive a larger percentage of their income as subsidies than conventional farmers, their average income is higher. On average, organic farmers are less indebted (vital for business-stability) and receive a higher income than conventional farmers, due to subsidies. The

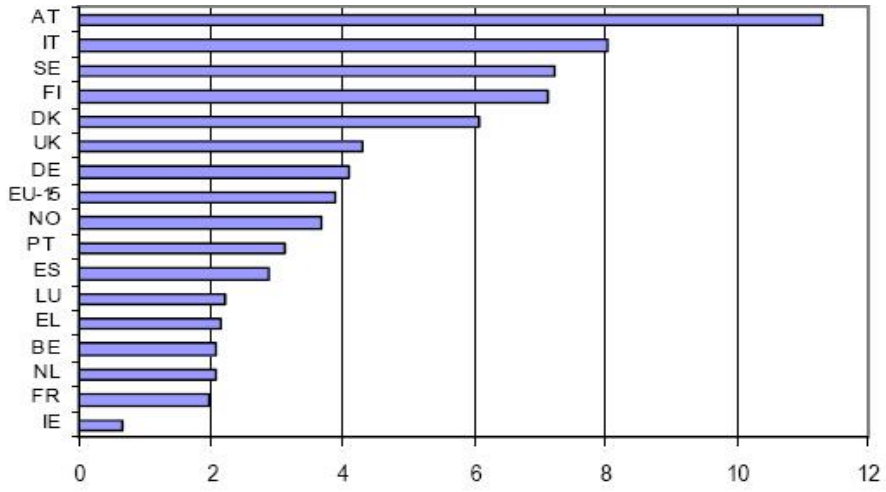
subsidies make up between 80-100% of farmers' income (Groier 2005 p.61). Without these considerable subsidies it would have been very difficult for farmers to convert to organic farming, as it is an expensive procedure, and many conventionally inefficient farms would have been abandoned. In Great Britain and France farmers only get extra state support in the transition phase from conventional to organic farming, while in Austria the higher subsidies continue after the transition period (Groier, 2005 p. 61).

The volume of subsidies for organic farming in Austria increased from ca. 145,000 Euro in 1989 to 15,5 million Euro in 1994 and to 86 million Euro in 2003 (Klingbacher, 2004).

In 2002, Austria had 11% organic farmland, the largest share in Europe apart from Liechtenstein (Groier, 2005 p.13). This is easily seen in fig. 2 below.

Grass for animal fodder and other cereals are the crops that have by far the highest production volume, both in Austria and Europe in general. Grass pasture makes up 68% of Austria's organic farmland (Rohner-Thielen, 2005 pp. 2, 4). In terms of animal products, dairy products are on top of the list in Austria, which along with Germany and Denmark produces 56% of the total amount of organic milk in Europe. In Austria, 417,773 tons of milk were produced in 2001 (Groier, 2005 p. 94).

Fig. 2 Share of organic area in the total EU utilized agricultural areas (%), 2003



Source: Rohner-Thielen, 2005

Not all the organically grown food is actually marketed as organic food. This is due to the combination of seasonal overproduction of perishable

goods, and the fact that the Austrian market structures for organic food in terms of logistics makes it difficult to collect and process all organic food separately from conventional food. A good example is organic beef, of which only 47% is actually marketed as organic (ökolandbau.de, 2005 and Groier, 2005 pp. 98, 99). Coming back to the question of rationalizing, conventionalizing and efficiency, improvements of logistics could be a good thing, though it may mean that the processing and/or consumption will not be kept regional. These issues of conventionalization of organic food are further discussed in the conclusions.

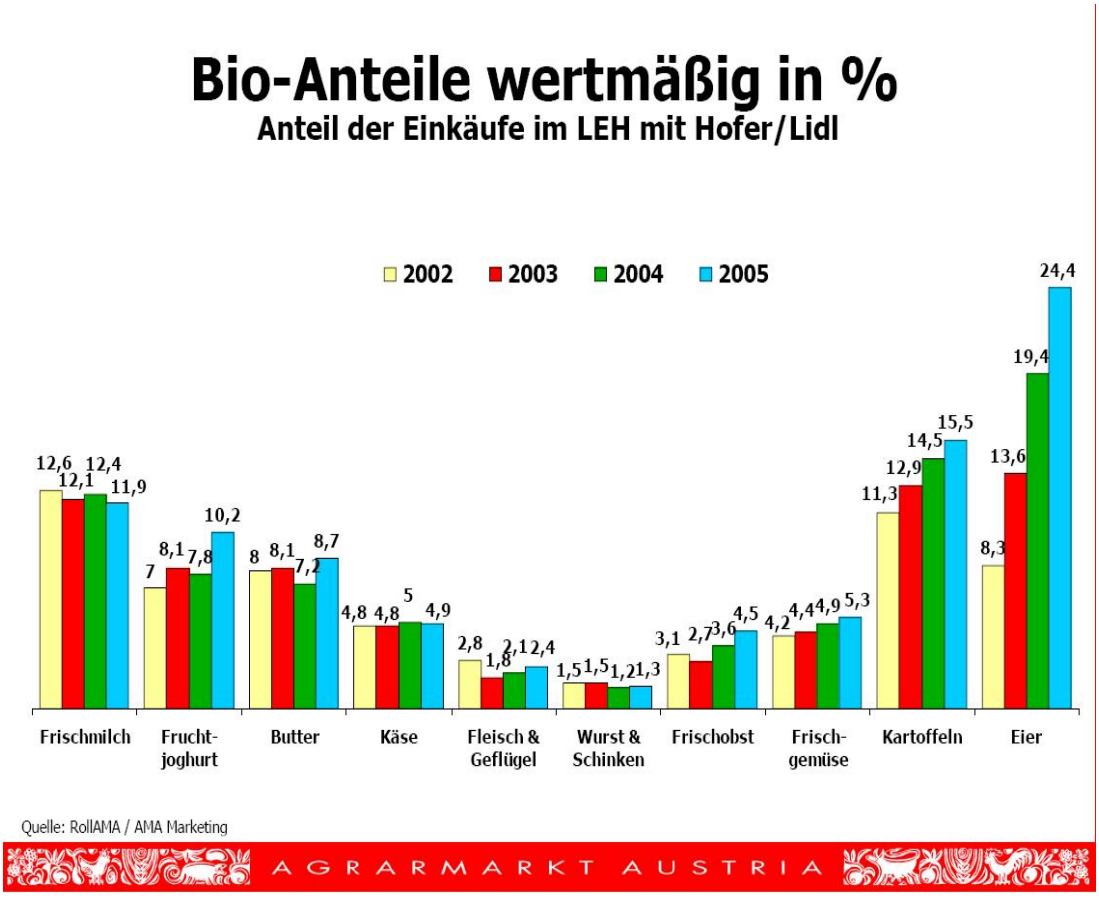


Fig. 3: Organic shares of total food sales in Austrian supermarkets, measured in monetary value. The food categories are the following: fresh milk, yogurt, butter, cheese, meat and poultry, ham and sausage, fresh fruits, fresh vegetables, potatoes and eggs.

Source: Agrarmarkt Austria

3. Marketing and sale of organic products

Here we look at the different sale channels of organic food, what their profiles, advantages and disadvantages are, and towards the end of the Section we discuss customers' motivations for shopping in these different venues.

It is very clear that the most visible, profiled organic food in Austria is sold in the conventional supermarket. As mentioned earlier, Billa, Merkur and Spar are the most well known examples. The convenience, lower prices and large selection are probably the main reasons why 75% of all organic food sold in Austria is sold in supermarkets (Larcher, 2005 p. 41). In Fig. 3 we can see the sales shares of different kinds of organic food compared to total food sales in Austrian supermarkets. Still, Kratochvil (2005) criticizes the supermarkets for reaping the profits of organic food sales, while giving very little financial support to product development, which has mainly been conducted by the pioneers in organic farming. She also points out that the supermarkets depart from the original idea of organic farming that puts emphasis on regional production and consumption. Moreover, she is worried that growth in the organic sector is only a short-term economic strategy. This aligns with the arguments of Nigg and Schermer (2005) mentioned earlier (Kratochvil, 2005 p. 93).

However, there are other channels to market organic food in Austria, such as specialty shops and markets. In a European-wide research project on organic food, Organic Marketing initiatives and Rural Development (OMIaRD), it was found that small specialty shops are losing importance, especially in those countries that have a high organic market share, such as Austria (Zanoli, 2004 p.107). A relatively new occurrence in Austria is the all-organic supermarket. These supermarkets carry not only food, but also hygiene products and most other items sold in conventional supermarkets, under the premise that all is organically produced. Because of their large facilities, their selection is much bigger than the other sales channels, particularly in comparison to specialty shops and markets. According to the founder of the organic supermarket Maran in Vienna, the rise in revenues of the organic food sector is almost exclusively taking place in large shops. Linz and St. Pölten also have organic supermarkets, “denn’s” in Linz and the expanding “livit” chain in St. Pölten, which plans to open 30 stores by 2010. However, the ‘Verband des Österreichischen Naturkostfachhandels’ (association of specialty shops for natural food) criticizes the organic supermarkets for having a high share of imported products, whose transport from abroad does not harmonize with the concept of environmental sustainability. However, this does not only occur with organic supermarkets. For instance, the Austrian organic association Bio Austria made a network of suppliers in 2005, which export meat, dairy products, flour, potatoes and plant oil to the United Arab Emirates (ökolandbau.de, 2005).

As said earlier, small specialty shops are losing importance in Austria. Still, 12% of organic consumers in Austria prefer specialty shops. Customers

of these shops tended to have more altruistic motivations for their choice of purchase venue than those in supermarkets, who appreciated the price and convenience. The motivations listed for specialty shops were many. Doing something for the environment and being in harmony with the world were common statements. Other motivations are also linked to “soft” values, such as more qualified staff and good advice, pleasant atmosphere and a personal relationship with the staff. In general, customers of specialty shops want more information about the products, so well-informed staff is important. On the other hand, those who rejected these shops stated reasons such as higher prices, small selection and inconvenient locations.

Farmer’s markets are another type of venue that was covered in this report. Here, the main motivations we see for Austrians are the regional origins of the products, the direct contact with the producer, good product information, freshness, quality and also a fun experience in shopping. Many perceive a market as a livelier, genuine experience.

The only reason why some customers reject markets, is the worry of product safety, i.e., that the hygienic standards could be low (Zanoli, 2004, pp. 107-112, 114-117)

From these evaluations of different sales venues we can see on the one hand how the introduction of organic food into conventional supermarkets has resulted in an increased demand and thus better access and lower prices. On the other hand, there is clearly a conflict of interest between those who support the commercialization of organic food, and those who want to maintain the holistic idea of closed cycles of production and consumption (which means less transport and less pollution and therefore regional production), the personal contact to producers, and altogether promote more sustainable lifestyles.

4. Consumer Demographics – Who buys what, and why?

In this section, we look at the different demographic groups in Austria to see how demographics affect the consumption of organic food. It has been difficult to find data on Austrian consumer behaviour, so a combination of statistics from Austria and trend reports from Germany and the rest of Europe have been used. The Austrian data covers different household sizes, kinds of households, age groups, education levels and income levels. The first table shows consumption of organic food in Austria related to income.

Table 1: Organic food consumption of different household income groups in 2005, in kilo per person:

Net Income per month?	Up to 900 euro	Up to 1500 euro	Up to 2200 euro	Up to 2900 euro	Over 2900 euro
Kilos per person total	12,0	16,4	17,6	23,9	16,8

Source: Agrarmarkt Austria, 2005

Of the total amount consumed in the different income groups seen above, additional data shows that out of different food categories (milk, yogurt, cheese, meat, sausage, eggs, fruits, vegetables and potatoes) milk was the food group that had the by far highest percentage of total consumption in all income groups. It ranges from 25 to 48%, and potatoes following on second place in all income groups exempt the highest one. Sausage had the lowest percentage in all groups (RollAMA/AMA Marketing 2005)

Table 1 illustrates that the higher the income, the higher the consumption of organic food, up to a certain point, where an increase in income leads to a decline in the consumption of organic food. This could be due to several reasons, for instance that people with an income over 2,900 Euro eat out more often (there are very few restaurants serving organic food in Austria) or that they focus more on exotic “luxury” food. This trend also correlates with the European research of the OMIaRD project.

Table 2: Consumption of organic food in 2005 in different educational levels of the head of the household:

Education level of head of household	Primary and middle school (Volks/Hauptschule)	Vocational training (Lehrabschluss)	High School (Matura)	University education
Kilos per person	14,4	12,8	18,8	22,1

Source: Agrarmarkt Austria, 2005

Table 2 shows the strongest correlation of demographics and consumption. Education has a strong correlation with consumption of organic food. This can also be seen in the OMIaRD-report that shows that the most frequent buyers of organic food are those with the highest knowledge about it, who tend to be older and have higher education (Zanoli, 2004 p. 24). Again, this correlates with Austrian numbers; consumption of organic food increases with age.

Table 3: Consumption of organic food in 2005 in different age groups based on head of household:

Age of head of household	29 and below	30-39	40-49	50-59	60 and above
Kilos per person	14,8	16,8	15,3	18,2	18,9

Source: Agrarmarkt Austria, 2005

OMIaRD states that compared to other countries, Austria has little data on the influence of demographics on consumption of organic food, but that in general, older age and knowledge about nutrition increases demand (Zanoli, 2004 p. 26).

Table 4: Consumption of organic food in 2005 in different types of households:

Household type	Young singles	Young families without child	Young families with child	Young families with older child	Older families	Older singles
Kilos per person	22,3	18,0	15,7	13,5	16,9	24,0

Source: Agrarmarkt Austria, 2005

The most widespread motivation for buying organic food in Austria is health, especially for children. In particular, the worry that the child may develop allergies is also quite significant in Europe. Austrian consumers also connect organic food with an active and healthy lifestyle, and believe that organic food can help them stay/become slim. The taste also makes them feel good, and the food being locally produced is seen more as a criterion for the product to be trustworthy and healthy than if it were produced somewhere else in Europe. Regional products are believed to come from smaller farms and to be fresher, and local producers are trusted. Trust is also an important factor because of the common wish to avoid genetically modified food, to which Austrians, like most Europeans are very sceptical. With meat products, the fear of both GMO and antibiotics make many prefer organic, but here, good animal husbandry is also a priority, but not as high (Zanoli, 2004 p. 29-42).

With the larger market share, stronger profiling and easier access to organic food, a general change could be observed in the motivations of the

majority of buyers of organic food. In the 1980s, consumers of organic food were often part of a whole lifestyle that involved sustainability and respect for nature in all aspects of life. It was connected to quite a strong ideology, inspired by the anthroposophist Rudolf Steiner, which tried to reconnect people with the cycles of nature, from which most people had become estranged through industrialization (Moore, 1997). Today, consumption of organic is detached from these ideas to a large extent, and individual health is considered more important. Healthy living and at the same time pleasure and enjoyment of food is the trend today, often called moral- or health-hedonism. Organic food is fashionable; it has rid itself of the “mother earth”-image and has become a status symbol. Living in harmony with Earth seems to be more considered as a nice side effect, but not the main issue (Horx 2006, p.4). Many researchers, farmers and activists look at this detachment from ideology as a degradation of the concept of organic food, reducing the environmental aspect to only the lack of chemical fertilizers and pesticides and focusing on selfish concerns. They feel that an important part has gone missing. Others see the increase in demand for organic food and the (today more slowly) growing percentage of organic farmland as a step in the right direction towards a more sustainable agriculture.

5. Conclusions

In all the areas discussed in this paper, farming, marketing and consumption, we see the trend of moving away from the somewhat exclusive, but also holistic concept of organic food being a part of a sustainable lifestyle, to a less demanding but more broadly accepted issue. More specifically, production is being rationalized, focusing mainly on the removal of pesticides and artificial fertilizers from production and leaving most ideology aside. Farmers are organizing to be more efficient, even though the flawed logistics of transport and processing leads to organic food being sold as conventional food.

In addition, the big supermarket chains put pressure on farmers to produce more at a cheaper price, and market the food as healthy, all in line with consumers’ concerns. More consumers are attracted to the convenience of the commercial supermarkets, as well as the organic supermarkets, which also have a large selection and a modern image, with plenty of space to push a shopping cart around. Kratochvil (2005) points out how supermarkets and the organizations of farmers are becoming increasingly similar in their marketing, promoting selfish, short-sighted values of personal well-being. Some of the original organic criteria, such as increasing the diversity of animal breeds and crops are not being followed. The message of social and ethical responsibility is mostly absent (Kratochvil, 2005 p.93). It seems plausible to conclude that the sector of organic food has moved in a more commercial direction.

However, there are also many positive aspects of the organic sector growing and becoming more organized, profiled and accessible. Along with commercialization, increased access was also mentioned as part of the thesis statement in this paper. I find it is important to have realistic expectations, especially seen from the perspective of a sustainable society. If the organic sector had remained as it was, it is my opinion that it would probably never have grown. Small, unorganized farms with decentralized sales and processing would have kept prices relatively high. Also, it can be argued that better coordination of production and transport achieved by organizing is probably more energy-efficient and leads to better distribution of perishable products that would otherwise have been wasted. As argued before, there is a problem of farmers having to sell their products as conventional because the separation of organic and conventional food is logistically complicated. If the aim is to reduce the pollution and other environmental impacts that come from agriculture, it is surely better to rationalize organic farming and adapt it to a larger scale than to keep a tiny share of the agriculture organic with very high standards. Then the rest of the farmland would remain conventional, with clearly negative effects on the environment.

Obviously, this is also reflected in the different sales channels. The high prices in the small specialty shops, which were often not close to where people do the rest of their shopping would have kept many customers away that now do buy organic food in supermarkets. Still, there is definitely a market niche for the enthusiasts and those who enjoy shopping at markets and in specialty shops. Supermarkets have a lot to learn when it comes to advising and informing customers about the products, and diversity of sales venues is always a good thing. Going back to the consumer demographics, it is clear that education and knowledge about organic food have a strong influence on consumption. If the knowledge of environmental advantages of organic food could be increased through the educational system, there is a possibility of increased demand in the long term. A very good initiative currently in Austria is the introduction of organic food in school and hospital kitchens (Groier, 2005 p.105).

We also saw that income is a factor that influences consumption. In the lowest income levels very little organic food is purchased. Here, rationalization of the organic sector is in my opinion a way of reaching this group.

Realism is also important when discussing the trend of health-hedonism. Can one really criticize people for wanting to be healthy and also enjoying it? Yes, it is selfish, but selfishness is human nature, and unlikely to change fundamentally anytime soon. The environmental and societal responsibilities should be taught and constantly strived for, but they must also become collective values if they are to last. This is where the education system and the policy makers come in. Most human actions are results of a combination of selfishness and altruism, and I think all we can hope for, is to find a good balance.

Altogether, the development of the organic food sector in the last ten

years has been an improvement. Even though it is still a niche sector (the vast majority of food consumed in Austria is not organic), it has grown. The more food that is grown without polluting substances the better for the environment. Ideology aside, it is quite simple. For this to continue, however, Austria needs to maintain and maybe also improve its unique subsidizing policies which have made the country's financial conditions for organic farms more favourable than most other countries. This is what kick-started the sector, and it is crucial for further development. Experts also consider subsidies for organic farming a possible strategy to circumvent the demands of the World Trade Organization to reduce agricultural protectionism, as environmental policies are exempted from these demands of decreasing agricultural subsidies. Exactly how this could be done would be an interesting topic for further study.

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Figures:

Fig. 1:
Groier, M., Gleirscher, N. (2005): Strukturentwicklung, Förderung und Markt. In: Bio-Landbau in Österreich im Internationalen Kontext Volume 1: Forschungsbericht 54. Bundesanstalt für Bergbauernfragen, Wien.

Fig. 2:
Rohner-Thielen, E. (2005): Organic Farming in Europe. Statistics, Agriculture and Fisheries. Eurostat, European Communities.

Fig. 3:
Agrarmarkt Austria (2006) Graphs sent to author by request.

All tables:

Agrarmarkt Austria (2005) Tables sent to author by request.