Supermarkets as organic retailers and impacts for the Australian organic sector

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Introduction

Supermarket chains increasing command of world food sales are indicative of the current revolution in food retailing. In Australia, two supermarket giants Woolworths and Coles alone control between 70 and 75 percent of all food sales. This concentration in food retailing has converged with a rapid and sustained expansion of the organic food sector across many parts of the world. This growth is characterised by an increase in organic agricultural production and the subsequent availability of organic produce, the formation of certification systems, and the apparent insatiable consumer appetite for organic food. These transformations have increased the availability and attractiveness of organic food to conventional food retailers, and as such, the majority of supermarkets now retail organic food. Entry of conventional supermarkets to organic food networks, however, remains a contested and divisive issue for the organic sector.

The entry of supermarket chains to organic retailing is not altogether new. Conventional supermarkets have sold organic produce and grocery items since the mid 1980s. What is new, however, and indicative of the more general mainstreaming of organics, is the extent to which supermarkets now stock and promote organic food. From a global perspective, supermarket chains demonstrate a significant divergence in their level of interest in organic products, their strategies to expand organic food sales and their motivations for engaging in organic retailing. This chapter provides an overview of global supermarkets organic retailing activities, and critically analyses the extent to which the two leading Australian supermarket chains Woolworths and Coles have entered into organic retailing, and the strategies adopted to build their share of the organic retail market. Given the acute concentration of Australian food retailing to these supermarket chains, their engagement with organics has, and is likely to continue to have, significant impacts for the organic sector. This chapter examines some of the impacts for organic producers, consumers and the organic sector arising from the entry of Australian supermarkets to organic retailing.

The entrance of conventional supermarkets to organic retailing

Conventional United Kingdom (UK) supermarket chains Tesco and Sainsbury were the first to enter into the sale of organic food in the mid 1980s (Richter 2004). During their early days as organic retailers, conventional supermarkets approached organic food as an experiment, and demonstrating this, in 1986 Sainsbury stocked only ten organic product lines. In contrast, around 65 percent of all organic food sold throughout the UK is now retailed through Sainsbury, and they offer over 1 300 organic food lines (Sullivan 2004). While combined, conventional retail outlets in the UK now command over 80 percent of all organic food sales. A similar trend is reflected throughout the European Union. In Sweden, for example, around 90 per cent of all organic food is sold through conventional supermarkets, while Switzerland trade more than 75 per cent this way. In the Czech Republic between 50 and 60 per cent of all organic produce is sold through conventional retailers. Outside the EU, China also reports the majority of organic food sales occur through conventional supermarket chains, and in the United States around 49 per cent of organic produce is sold through these conventional outlets (Needham 2004; Richter 2004). This level of participation in organic retailing suggests organic food is no longer an experiment for conventional supermarket chains as it was in the early days. Rather, it represents an

increasingly lucrative emerging food category.

While some conventional supermarkets have captured a substantial portion of total national organic food sales, suggesting a significant commitment to stock and promote organic food, this is not the case across all supermarket chains. For example, some supermarket chains stock a limited variety of organic food items and demonstrate low sales in organic products. The level of commitment articulated by conventional retailers towards organic food sales appears, at least in part, to be shaped by the personalities and commitment of individual managers and related purchasing and marketing decision-makers (Kujala and Heine Kristensen 2005). Conventional supermarket chains engagement in organic retailing is also arguably related to corporate identity and strategic plans, marketing orientation, national politics and the demographics of their customer base.

In a recent study of organic retailers in the European Union, Richter *et al* (2000) constructed a three-tiered typology to describe the participation and strategies of conventional supermarket chains in organic retailing. The 'maximum strategy' involved expanding sales to over 400 organic product lines, including a broad cross section of food items, such as dry goods, convenience foods, fruit and vegetables, milk, meat, cheese and other lines. As part of this strategy, conventional supermarkets deliberatively use organics as part of their advertising campaigns, and actively promote organic food throughout their stores by the use of clear signage, as well as attractive and spacious presentation and layout. The appearance of organic food displays – including the use of recycled timber and other materials – is reminiscent of those adopted by specialty organic food shops. In addition, employees are provided with training about the health, environmental and quality aspects of organic food to enable them to promote it amongst consumers, many of who are unfamiliar with organics. In short, conventional supermarket chains that adopted a maximum strategy undertook an educational and advocacy role, thereby building consumer knowledge and demand for organic food amongst traditionally 'non-organic' consumers (Ritcher *et al* 2000; see also Chang *et al* 2003). Conventional supermarkets identified for their adoption of a 'maximum strategy' included *Tegut* and *Karstadt* in Germany, *Billa* in Austria, as well as the Danish chain *FBD*, and *Waitrose, Tesco* and *Sainsbury* in the United Kingdom.

In contrast, the adoption of a 'basic strategy' by conventional supermarkets was reflected in the retail of between 50 and 200 organic items, with an emphasis on non-perishables, including convenience and frozen organic food (Ritcher *et al* 2000). Unlike the maximum strategy, these retailers provide little customer assistance, and depended upon suppliers for the provision of organic marketing information. The price of organic staples, including milk and bread, were often sold at a similar price to their conventional counterpart as a deliberate strategy to attract consumers to try organic products. The basis strategy encourages non-organic consumers to eat organically based on value and price. This represents a striking difference to the approach of supermarkets engaged in a maximum strategy, where organic food is often promoted on the basis of its quality, health and environmental attributes. Conventional supermarkets engaged in a 'basic strategy' to sell organics include German retailers *Rewe* and *Metro, Spar* in Austria, *Marcs and Spencer, ASDA* and *Safeway* in the United Kingdom, as well as *Carrefour* in France and *Esselunga* in Italy.

Ritcher *et al* (2000) also identify a 'minimum strategy' to describe the initial activities of conventional supermarkets as they begin to sell organic products. Here, the range of organic goods is generally less than 50 items, and is primarily comprised

of non-perishable dry goods including tea, coffee and breakfast cereals. The small range of organic products is associated with minimal staff knowledge and commitment to organics, and little or no advertising of organics within supermarket promotional materials.

While there are divergent strategies by which conventional supermarkets participate in organic retailing, overall their entry into organics is not suprising. Organics is recognised by some representatives from supermarket chains to be one of the fastest growing food 'categories' (personal correspondence 2006). Retailing organic products therefore represents an opportunity for conventional supermarkets to further increase their retail dominance, by capturing – and expanding – the already growing organic consumer market.

The growing appetite for organic food

While remaining a niche market, at an international level consumers' appetite for organic food was estimated to be worth around US$23 billion in 2002 (Sahota 2004). Of this, Oceania accounted for around US$200 million in organic sales, with Australia demanding the largest share of this. On-going expansion in organic food sales in some regions indicates organic food will command an increasingly central component in the global diet, and to demonstrate this, it is estimated that 30 per cent of Europeans' diets will comprise organically produced food by 2010 (Lockie *et al* 2006, forthcoming). A recent Australian study found over 40 per cent of food consumers already eat at least some organic food, with women and those usually responsible for food shopping and feeding families most likely to purchase organic food (Lockie *et al* 2006, forthcoming). Alongside this growing consumer demand for organic food, many of the 'Big 25' food processing companies – amongst these include Kraft, Con Agra, Unilever, Cargill, Coca Cola and Mars – have added previously independent organic businesses to their portfolio of recent acquisitions. This represents a move causing further division within the organic sector (Lockie *et al* 2006, forthcoming).

Formalisation of the expanding organic sector has occurred via the formation organic certification processes. This provides a regulatory framework to verify the authenticity of organic products by their compliance with a set of organic production standards. Supermarket chains demand food is certified organic, and often specify conformance with an additional set of standard requirements (including HACCP and EUREP-GAP). In a general sense, organic standards include agricultural practices that avoid the use of artificial chemicals, fertilizers and GMOs. Organic principles also emphasise the production of high-nutrition foods, and due consideration for environmental management, animal welfare and the social conditions of farm families (Burch *et al* 2002). As the market for organic food expands, organic certification has emerged as a vital tool to differentiate organic from its non-organic counterparts.

Changes in organic retailing – including the entry of conventional retailers – has occurred alongside the growing consumer demand for organic food and the formation of organic certification systems. The convergence of organics with conventional retailing has also occurred alongside an increase in the production of organic food – facilitated via the on-going conversion of farms to organic production. In Australia alone, the area of land dedicated to organic production has increased from 150 000 hectares to over 8.5 million hectares over the last 15 years (Department of Agriculture, Fisheries and Forestry 2004). This has improved the stability of access to high quality organic crops and livestock, and the increase in scale of organic production correlates with the larger purchasing requirements of conventional

retailers, including supermarket chains.

This chapter now turns to the changing patterns of organic retailing in Australia, and the emergence of conventional Australian supermarket chains as organic retailers.

The Australian organic retail revolution

There are a variety of retailing options for organic food in Australia. A range of alternative trading arrangements, including organic cooperatives, box schemes and buying groups distribute organic food. Farmers' markets and community supported agriculture are also developing momentum in Australia, and represent a significant site for the sale of organic products. A recent Australian survey found that nearly 20 percent of all organic produce was purchased from these alternative networks, including direct from farmers and home delivery services (Lockie *et al* 2002). In addition, nearly 30 per cent of all organic sales in Australia occur through organic specialty shops, and the first of these to establish was *Amabels* in the 1970s, later followed by *Organic WholeFoods*, *Macro Organics* and others (Lockie *et al* 2002). Similarly, a recent study of organic retailing in the EU identified 41 per cent of organic retailing occurred through organic specialty shops in the Netherlands, and these were also significant for organic food sales in many other countries, including Austria and Germany (Richter 2005).

While organic specialty shops retain significance as organic retailers in Australia and elsewhere, recent trends suggest this is changing. Organic supermarket chains are entering and/or expanding as organic food retailers. Throughout the United States for example, the largest organic supermarket chains are increasing their command of the organic retail market share through the acquisition of independent organic retail businesses. As a result, the leading organic supermarket chains *The Whole Foods Market*, *Trader Joe's* and *Wild Oats Market* now account for over 30 per cent of all organic sales (Lockie *et al* 2006 forthcoming). Inspired by the success of *The Whole Foods Market*, the new owners of *Macro* in Australia intend to expand their operations to over 40 stores, a substantial increase from the two stores currently operating in Sydney. *Macro* already emulate characteristics of conventional retail food chains, including the recent adoption of electronic supply chain management systems to provide an inventory of sales and automated stock re-ordering systems (Broadbent 2006). However, in a similar approach as specialty organic supermarkets, *Macro* also retails a wide variety of organic product lines, and currently stock over 12 000 product lines (Jarmkiewicz 2005). The new owners also intend to follow community values traditionally associated with specialty organic retailers and alternative buying arrangements, and in a recent radio interview co-owner Pierce Cody reiterated this: 'we are food retailing, but we are not a supermarket. We don't ever want to feel like a supermarket' (Cody 2005).

This transition in organic retailing – from single specialty organic retailer to organic 'superstore' chains – signifies significant challenges for the organic sector. To begin, some posit multiple organic retailers will disadvantage small businesses, many of who will be unable to compete with the buying and marketing power of organic chains. In addition, small-scale organic farmers may be unable to supply the scale and other buying requirements of organic retail chains (Kinnear 2004; McIntyre 2005). Conversely, others suggest the expansion of multiple organic retailers might promote organic market development, by establishing an increasingly secure market – and financial incentive – for farmers considering conversion to organics (Richter *et al* 2000).

Alongside the entry of organic 'superstore' supermarket chains, changes in Australian organic retailing are also marked by the growing participation of conventional supermarket chains in organic retailing. Supermarkets and grocery stores accounted for over $58 billion in grocery item sales in Australia throughout 2004-5 and the two leading supermarket chains – Woolworths and Coles – were estimated to control between 70 and 75 per cent of these sales (IBIS World Industry Report 2005). These supermarket chains have clearly captured the majority of Australian consumers' grocery expenditure, and as a result their level of engagement with organics is of particular interest. Woolworths' and Coles' engagement in organic retailing has the capacity to send ripple effects – and depending on their strategies, tidal waves – throughout the organic sector. In addition to these supermarkets, a number of smaller conventional supermarkets in Australia also compete for retail share, including Franklins, Bi-Lo, IGA, and since 2001, German supermarket chain Aldi. While these supermarket chains may also be engaged in organic retailing, this chapter concentrates on the activities of Woolworths and Coles due to the substantial market share they currently command, and the subsequent scale of impacts this presents for the organic sector.

Woolworths and Coles going organic

The results presented in this chapter draw from a series of telephone interviews conducted with representatives from Woolworths and Coles between February and April 2006. Interviews were conducted with store managers, buyers and marketers from a random sample of Woolworths and Coles supermarket stores in Queensland. Snowball sampling was also utilised to identify national representatives, wholesalers and suppliers who were unknown to the researcher. A total of ten participants were included in this study, and many interviews were repeated to expand on issues identified in the initial interview. In addition to interviews, results were also generated from the analysis of a range of documents, electronic and print materials, including corporate web sites, sales records, annual reports, as well as newspaper articles, promotional and advertising material.

Woolworths entered into organic retailing in the early 1990s. Woolworths is part of retail conglomerate Woolworths Limited, who began retailing in Australia with the establishment of their first store in Sydney in 1924. Since this time, Woolworths has expanded to over 700 supermarkets, serving over 13 million customers each week (Woolworths 2006a). The acquisition of retail chain Safeway in 1985, alongside expansion into most metropolitan areas, has assisted Woolworths to capture this retail market.

During Woolworths earlier engagement in organic retailing, the market for their organic produce was very limited, and one store representative remarked that organic sales were so low that 'we were dumping more than we were selling'. Over the last decade Woolworths' organic sales have expanded considerably, and growth has been most dramatic over the last three years. Since their early days, Woolworths now stock a wide variety of organic grocery lines, as well as fresh produce and meat[1]. Amongst these grocery lines include tinned vegetables, fruit juice, pasta, flour, spreads and breakfast cereals. These are currently sold as both branded products, and under the homebrand label 'Natura'. Similarly, Woolworths range of organic fresh produce has expanded and currently includes (but is not limited to) carrots, pumpkin,

[1] The specific number of organic product lines – including grocery items, fresh produce and meat – sold by Woolworths were unavailable at the time of writing this book chapter.

broccoli, sweet corn, avocadoes, potatoes, peaches, ginger, grapes and pineapple (Woolworths 2006b). While organics remains a marginal category, in a Woolworths store with high organic turn over, around five percent of fresh produce sales are organic (personal correspondence 2006).

Similarly, Coles also entered into organic retailing in the early 1990s. Coles is Australia's second supermarket leader, and is owned by Coles Myer Limited, Australia's largest retailing group. Coles entered the retail market in 1914 with the opening of its first store, and by the early 1970s had established stores in every capital city, and currently operate over 500 stores nationally (Coles Myer Ltd 2005).

Beginning with only a few organic products, Coles now list over 300 organic grocery and 200 fresh lines (these vary depending on seasonality), and sales in organic lines have grown by around 30 percent each year over the last 3 years (personal correspondence 2006). Coles range of branded organic grocery items include nuts, legumes, cereal, coffee, tea, flour, juice and pasta, as well as 26 homebrand organic items sold under both the 'you'll love Coles' and 'George J Coles' brands (Coles 2006). Nearly a third of the organic items Coles retail include fresh fruit and vegetables, and this amounts to around 2 to 3 per cent of the total value of sales in fruit and vegetables. While this organic range is available nationally, each store is autonomous regarding the quantity of organic items they stock. The rate to which individual stores stock organic products are shaped, in large part, by local demographics, including consumer recognition of organics and their willingness to pay the price premiums associated with organic products. One Coles manager from a store with a high organic turnover suggested their typical organic consumer 'wants to spend money on fancy things, eat expensive hams and drink Gloria Jeans coffee'. From a national perspective, Coles suggested the stores with higher organic sales included those in regions where there were high numbers of whitecollar workers and young women. Similarly, a representative from Woolworths suggested their organic consumers were those willing to pay more for food, as well as those interested in personal health and nutrition (personal correspondence 2006). Stores where organic produce is especially popular include Richmond and Collingwood in Victoria, and Bondi and Broadway in New South Wales, inner-city regions comprising residents who are middle to high-income earners (personal correspondence 2006).

Woolworths and Coles' perceptions of organic consumers partly concur with a recent nationwide organic consumer survey. This research found the most significant demographic variable shaping organic food purchasing was not income, as believed by Woolworths and Coles, but gender. Women purchase and eat organic food more frequently than men. And while health and nutrition were important factors shaping organic food choice, so too were a range of additional concerns, including environmental values, sensory appeal, animal welfare and political issues (Lockie *et al* 2002). This suggests a disjuncture between Woolworths' and Coles' perceptions of organic food consumers, and the values and beliefs expressed by organic food consumers themselves. As a result, it is unlikely that either Woolworths or Coles will expand their approach to organic promotions in ways that more fully reflect the diversity of concerns held by organic food consumers. These supermarkets' lack of engagement with the broader range of social, political and environmental issues raised by organic food consumers may also reflect a strategy to avoid drawing adverse attention towards the circumstances in which the majority of their food is produced.

This chapter now turns to an examination of some of the impacts for Australian organic producers, and the organic sector more generally, arising from the entry of Woolworths and Coles to organic retailing.

Organic sourcing arrangements and impacts for Australian organic producers

Accessing fresh organic produce was traditionally characterised by short supply runs, irregular availability and variable produce quality (including size and shape) (personal correspondence 2006). In contrast, store managers from both Woolworths and Coles believed that consumers preferred to purchase food they were familiar with, and that such familiarity was cultivated through stable and regular access to the same varieties of fresh produce and branded grocery lines on a weekly basis. The inconsistency historically associated with fresh organic produce stands counter to these apparent consumer preferences. Additionally, a stable supply base of sufficient quantities of organic food was also required before supermarkets chains were willing to advertise organic food items (personal correspondence 2006). This would ensure supermarkets could meet consumer demand for their advertised products. In combination, these factors led to limited success in expanding the retail market for organic products throughout the early 1990s. On-going growth in the number of certified organic producers in Australia, from 491 organic producers in 1990 to the current estimate of over 2,200, has increased the availability of organic products in Australia, as well as establishing a relatively secure and stable organic supply base for conventional supermarkets (Department of Agriculture, Fisheries and Forestry 2004).

To confirm a secure organic supply, both Coles and Woolworths have established specific organic buying arrangements. To begin, Coles have recently formed direct buying arrangements with growers. This has simplified organic purchasing, by removing the intermediary handlers, wholesalers, distributors and others previously involved in trading organic produce. Coles now source organic fresh produce from wholesalers on a minimal basis, and only when unable to access it via producers. The direct buying arrangement enables Coles to specify produce requirements directly to growers, including quality criteria, quantity and price specifications (personal correspondence 2006). In regard to quality, Coles stipulate organic produce should resemble conventional produce as much as possible, in addition to a series of requirements related to size and colour. All produce must meet the requirements of national organic standards, and be certified by an AQIS accredited certifier.

While this buying arrangement has enabled Coles to rectify their earlier sourcing problems – including variable quality and quantity of available organic produce – it has also enabled them to yield significant authority within the organic supply chain. For example, while Coles store managers suggest growers generally supply produce that correlates with their specific requirements, where they fail to do so, produce is rejected and returned at growers' expense. This buying arrangement defers financial risks associated with organic trading to organic growers themselves, and mirrors the financial insecurities suffered by conventional producers (Higgins and Lockie 2001). An additional feature of this buying arrangement is the capacity to concentrate organic purchasing from farms most readily able to meet Coles' requirements, and in the most economically efficient manner. Since introducing this direct sourcing policy, a Coles representative stated they have reduced the number of organic farmers that supply them, thereby concentrating organic supply to fewer, (and presumably) larger, organic farm operations. This pattern of concentration amongst the organic sector also resembles recent trends in conventional agriculture (Burch and Rickson 2001). As a result, smaller-scale organic farms are left to find alternative

markets for their produce. While some Australian organic farmers supplying conventional supermarket chains arguably face an array of financial – and associated social – pressures associated with this buying arrangement, Australian organic farmers also appear to utilise a diversity of markets to sell their produce. Direct farm gate sales and other local and direct buying arrangements, for example, provide a significant outlet for the sale of organic produce in Australia. The growing popularity of local organic food buying initiatives amongst Australian consumers suggests some organic producers will retain a degree of autonomy, at least for some of their organic produce, in regard to organic retailing. This may assist to off-set any other declining retail returns.

In a similar approach to Coles, in the early 1980s Woolworths established their marketing strategy as the 'Fresh Food People', and directed considerable resources to build direct relationships with growers. This was to ensure the supply of high quality fresh produce. The formation of the 'One Touch' principle – whereby growers packed their produce into crates that were then transported, to be placed directly into display equipment, thereby avoiding multiple handling – represented one strategy to maximise the efficiency of direct buying. The 'One Touch' principle has more recently been utilized, to some extent, in organic supply chains. In addition, and in contrast to Coles buying arrangements, Woolworths also source significant quantities of organic produce through organic wholesalers. A Woolworths representative suggested they source around 40 percent of their fresh produce, as well as the majority of grocery lines and meat, through organic wholesalers. Organic growers directly supplying Woolworths face the same financial risks as those supplying Coles – if produce does not meet Woolworths' requirements, it is returned to growers at growers' cost.

Organic sourcing policies and the impacts for the Australian organic sector

To date, neither Woolworths nor Coles have formulated an organic sourcing policy. Representatives from both Woolworths and Coles indicated that while neither company had a formal policy, they each had a preference to source Australian grown produce. Both Woolworths and Coles estimated that around 97 percent of all fresh fruit and vegetables (comprising both organic and conventional food) were grown in Australia. Imports of fresh produce supplemented specific lines that, due to seasonal variation, were not available all year round in Australia (for example, navel oranges are imported from California to supplement Australian supplies).

A representative from Woolworths indicated the majority of fresh organic produce was sourced from within Australia. Similarly, Woolworths sought to source as many organic grocery items from Australia as possible. Where grocery items were not available organically in Australia (for example dates, cashews and basmati rice) they were sourced internationally. Coles also indicated the majority of their fresh produce was sourced domestically, and international supplies were utilised to supplement unavailable organic produce. In addition, some organic grocery lines were imported, including canned tomatoes and pasta from Italy, and canned corn from New Zealand. In contrast, the United Kingdom organic market leader Sainsbury have devised an organic sourcing policy that articulates a commitment to purchase organic produce from growers located within the United Kingdom. While in an informal manner both Woolworths and Coles emphasise the importance of sourcing Australian grown and Australian made organic products, without a policy it is possible that this position may weaken, particularly as the demand for organic products continues to grow and each supermarket chain continues to compete for this growing organic

consumer market.

The energy requirements of organic food transporting – including both organic imports, as well as domestically produced organic produce that is transported across Australia – should not be overlooked. Long-distance transport presents a range of environmental impacts. Given on-going oil price rises, it is also likely to assume that long-distance food transportation will become increasingly untenable, at least without on-going increases in the cost of food. In contrast, Sainsbury's organic policy stipulates transport options between the farm and the supermarket to minimize non-renewable energy requirements. In addition, it also articulates packaging specifications for organic products. Stipulations relate to the use of bio-degradable and recyclable packaging materials, their usage and in-store disposal. In contrast, neither Woolworths nor Coles have stipulated guidelines in this regard. A Coles representative pointed to the irony of their current practice of utilising plastic and styrofoam packaging for fresh organic products. He suggested that while it was somewhat inconsistent to package organic produce in this way, it was a requirement to differentiate organic from conventional produce. Coles is currently attempting to devise bio-degradable packaging options that more closely reflect the range of values associated with organic food.

In summary, while both Woolworths and Coles list a large number of available organic products, characteristic of a maximum strategy, the majority of their practices related to organic sourcing arrangements demonstrate a basic strategy (Ritcher *et al* 2000). For example, they have encouraged sales of organic products by offering low cost staple organic food items, thus encouraging traditionally non-organic consumers to try organics without making a significant financial investment. A number of store managers – from both Woolworths and Coles – indicated they often ran organic specials to encourage customers to experiment with organics. In essence, both Woolworths and Coles have utilised price, rather than a broader range of attributes commonly associated with organic food, including health and the environment, to promote organic products. In addition, while store managers and national representatives demonstrate an intent to support domestic organic producers and manufacturers, they are yet to formalize this through policy. This relegates organic sourcing arrangements to the realm of individual preferences, rather than being integrated into a legitimized corporate position.

Mainstreaming organics and the impacts for consumers

The increased availability of organic products through conventional supermarket chains presents two obvious benefits for consumers. Firstly, it has increased the options for those consumers who shop in conventional supermarkets – representing the majority of Australians – to access organic products. As such, traditionally non-organic consumers are able to try organic food. And secondly, conventional supermarkets have reduced the retail prices of some organic products. Conventional supermarkets offer some organic products at a similar price to their conventional counterparts, further enticing mainstream consumers who might not otherwise purchase organic products. A Coles store manager, for example, stated there was little difference in the price between some organic and conventional hard vegetables, including onions, carrots and potatoes, and organic and conventional avocadoes now sell for much the same price. Some organic grocery lines, including breakfast cereal and pasta, also sell at a similar price to the conventional equivalent. In contrast, supermarket chains were less likely to stock specialty organic items – including miso, coconut oil and some cosmetics – that would retail at a significantly

higher price to the equivalent conventional product. Despite these benefits for organic consumers, lower prices attached to organic food may also reduce the price organic producers are paid, as discussed earlier.

Woolworths and Coles both emphasised the importance of pricing related to their organic products, and suggested at least some organic food items should be retailed at a price comparable to their conventional equivalent. This signified part of a more general attempt by these supermarket chains to 'mainstream' organic food (personal correspondence 2006). Attempts to mainstream organics were perhaps more obviously evidenced by the expansion of Woolworths' and Coles' homebrand labels in organic grocery lines. These can be expected to grow in popularity alongside the growing acceptance of homebrands more generally in Australia (Azhar 2005). The growing popularity of homebrand grocery lines is occurring alongside on-going increases in the price of some food as a result of rising petrol and transport costs, in addition to the recent entry of discount supermarket chain Aldi. Despite Woolworths and Coles on-going growth in homebranding, and organic homebranding in particular, Australia lags behind supermarket organic homebranding in many other parts of the world (Rudder 2005).

These strategies to mainstream organics suggest Woolworths and Coles have the capacity to play a significant role in democratizing access to organic food, by increasing its availability to everyday Australians. However, while the overall trends suggest these supermarket chains are increasing their organic food stocks, this is not occurring evenly across Australia. For example, and as indicated earlier, the stores located in 'organic' demographics represent the stores with the greatest variety of organic produce and grocery items. Meanwhile, stores in lower socio-economic areas, as well as areas where there is a perception of little consumer interest in organic food, stock few organic items. Supermarkets located in regional and rural Australia generally stock fewer quantities of organic food than urban-based supermarkets (personal correspondence 2006). Richter (2004) found a similar emphasis on organic trading in urban-based supermarkets throughout the EU, while rural based supermarkets stocked a limited variety of organic food. Despite the assumption that organic food would have limited appeal amongst rural populations, this is not necessarily so. Both Australian urban and rural people eat organic food, and rural Australians often express frustration in the difficulties they experience trying to source organic food (Lyons 2006 forthcoming).

Overall, these activities engaged by Woolworths and Coles related to pricing and mainstreaming organics correlate with a basic strategy (Richter *et al* 2000). While these supermarket chains both listed a diverse range of available organic products, the national office of each supermarket encouraged stores to stock organic lines considered to be 'safe' sellers. This included perishables such as milk and some vegetables with a high turn over in sales, as well as non-perishables. These items were retailed at a similar price to their conventional equivalent. Independent stores are then able to select a range of additional organic food items to stock. In contrast, supermarkets generally avoided specialty and high-priced organic products, leaving their retail to specialty organic stores. These pricing tactics have enabled Woolworths and Coles to position themselves as 'value for money' retailers of organic food (personal correspondence 2006).

Promoting organics and building the Australian organic industry

The ability to secure reliable supplies of organic produce and grocery lines, and the adoption of strategies to mainstream organics, has occurred alongside an increase

in Woolworths' and Coles' promotion of organic lines. Demonstrating this, organic food is now listed in store catalogues, and as part of in-store promotions and advertising (personal correspondence 2006). One Woolworths store manager, for example, reported on a recent in-store promotion of organic pasta and pasta sauces. This included additional shelf space as well as an extra display of this organic stock at the end of an aisle. In addition to the specific activities of individual stores, Woolworths now distribute a limited range of organic promotional materials nationally. For example, Woolworths have recently distributed nationwide an information brochure on organic carrots for promotional use within stores. Coles also reported listing organic products within their product catalogues, engaging in some promotion within their stores, and occasionally offering organic products at special prices (personal correspondence 2006).

These approaches to promoting organic food represent a basic strategy, particularly in comparison to the activities of organic specialty stores and organic supermarkets. Macro, for example, engages in significant in-store promotions, including detailed information regarding the health and environmental aspects of organic products, as well as broader health and lifestyle information. Macro also regularly provides taste-testing of organic food, and train staff to provide information and support to customers. In contrast, Woolworths and Coles provide no specific organic training to their staff. An organic wholesaler does, however, provide some training to Woolworths staff.

The organic promotional activities of organic specialty stores, unlike conventional retail outlets, position them as sites of community education. These activities are reminiscent of those of trading outlets that emerged during the 1970s to distribute the organic 'countercuisine'. These outlets sought to provide not only health and nutritional advice, but also information related to the broader social and environmental context in which food was produced. The limited approach to organic promotion undertaken by Woolworths and Coles suggests that while they have engaged in some activities to promote organic food – particularly on the basis on its competitive price and nutritional characteristics – they do little to further consumers' understandings of a broader range of food related health, environmental and social issues. As such, the expansion of conventional supermarkets as organic retailers arguably reduces the capacity of shopping for organic food as a site for transforming consumers' environmental and social beliefs.

Conclusion

This chapter has demonstrated that on a global scale, conventional supermarkets have captured a significant – and growing – share of organic food sales. This represents an expansion of the already substantial command supermarkets have over global food sales. The maturation of the organic sector, including an increase in the production and availability of organic products, alongside the formation of organic certification standards, has encouraged the entry of supermarket chains to engage in organic retailing. Their organic retailing activities are also significantly shaped by consumers' appetite for organic food. This represents a significant shift in the pattern of organic retailing, which has traditionally occurred via local, small-scale and often direct distribution arrangements. The growing participation of conventional supermarkets in organic retailing represents, to a degree, the subsequent colonization of these alternative organic retail arrangements.

The transformations occurring in the Australian organic retail sector reflect this broader international trend. Despite this, the results presented in this chapter

demonstrate Australian conventional supermarket chains Woolworths and Coles have not, at least as yet, engaged in organic retailing to the extent of supermarkets in other parts of the world, most notable in the EU, China and the US. Their minimum engagement is demonstrated by their conditional support for Australian organic producers, their sale of only a limited range of organic food items, and their promotion of organic food the basis of its price, rather than a broader set of environmental, health or social criteria. These activities undertaken by Australian supermarket chains suggest they are in the early stages of expanding into organic retailing. Despite their minimum engagement in organic retailing however, these activities of Woolworths and Coles are significant due to their acute concentration as food retailers in Australia.

The organic retailing activities of Woolworths and Coles present significant impacts for Australian organic producers, organic consumers, and the organic sector more generally. To begin, while the entry of supermarkets has increased market and financial security for some organic producers, this has occurred alongside the exacerbation of financial vulnerability for others. While for consumers, supermarkets chains have increased the availability of organic food for many consumers. At the same time however, the growing dominance of supermarkets as organic retailers may also distort the availability of organic food, by creating organic ghettos – including rural Australia as well as regions comprising families with lower socio-economic circumstances – where there is limited access to organic food. And finally, while overall supermarkets are increasing the promotion and advertising of organic products, their promotional strategies may well depoliticise the organic sector, by removing the critique of contemporary agriculture and food systems traditionally associated with organic retailing.

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