



Local vs. Organic Products

Article by Ben Campbell

Versions of this article were published by Garden Center Magazine and Produce Grower

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During the last couple decades the terms organic and local have gone mainstream. The power of these words on the marketplace is undeniable. A walk-through most grocery stores and supermarkets show the appeal of products sold under these labels. Whole sections of stores are set aside for organic and local products, with stores competing to be seen as the most organic and local.

However, these terms elicit a plethora of both positive and negative reactions from consumers. Our starting point to understanding these terms is the dictionary. Organic is defined as “grown or made without the use of artificial chemicals.” This definition is specific in nature. The true nature of organic is often more complex than this simple dictionary definition, given the requirements to be certified organic. But as has been noted in prior studies, consumers generally recognize the broad issues about organic but routinely do not put forth the energy to understand the complexities of producing organically.

On the other hand, local is defined as “relating to or occurring in a particular area, city, or town.” The specific geographic boundaries are laid out by particular states and the federal government. Connecticut General Statutes Section 22-38 defines that a product advertised as locally grown must be produced within Connecticut or within a 10-mile radius of the point of sale.

Local Perception

Perception is reality, and perception often does not align with what occurs on the farm or is regulated by state and federal governments. Case in point is the geographic boundaries consumers place on locally produced. When a business advertises produce as locally grown, the question must be asked does the retailer definition align with the consumer definition.

With respect to perceptions of production, consumers have both accurate and inaccurate perceptions of these terms. In a study that came out of collaboration from UConn (Ben Campbell), Texas A&M University (Charlie Hall), Michigan State University (Bridget Behe), University of Florida (Hayk Khachatryan) and Purdue University (Jennifer Dennis) using a

Photo, left inset, courtesy of Buy CT Grown.

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sample of consumers from the U.S. and Canada, researchers found consumers have both accurate and inaccurate views of local and organic terminology. Within a Connecticut context, Connecticut consumers share these accurate and inaccurate views of local and organic at nearly the same rate as the U.S. as a whole.

The underlying theme is that consumers understand the “dictionary” definition of local and organic, but often assign incorrect production practices to characterize the terms. Importantly, there seems to be a blurring of the line between local and organic with around 20 percent of consumers linking the terms as the same.

There tends to be an evolution occurring with respect to how people view local and organic. Since the inception of organic as a mainstream item, organic has been marketed to a large extent as helping the world through less pesticide use and more environmentally friendly production practices, while local has been viewed as helping the community and providing fresher product. Research from UConn (Lingqiao Qi, Ben Campbell, and Yizao Liu) shows that consumers that are altruistic (e.g. care about others) and biospheric (e.g. care about the environment) are more likely to purchase local over organic. This transformation seems to indicate that local seems to be expanding to fill the role of environmental stewardship, while also

helping the community. The continued evolution of local and organic will be interesting over the next couple of years.

Impact on Purchasing

When we look at how the terms local and organic impact the purchasing decision, there is clear evidence that these terms do two things. First, they increase the likelihood of purchasing by the average consumer. Second, the average consumer is willing to pay a price-premium to purchase a local or organic product. Based on the previous studies mentioned above, produce retailers (whether on-farm, farmers market, or larger retailer) need to realize that the terms local and organic are powerful words that can and do influence a consumer’s purchase decision.

Normally, when talking about who buys local and organic product we talk about the average consumer. In reality, the market is made up of many different consumers but they generally coalesce into a couple of market segments, such as price sensitive, environmentally conscious, locality of production, quality and the “fuzzy group.” The price sensitive and environmentally conscious segments are also where the highest willingness to pay occurs. However, within these segments is where the highest potential for consumers to substitute between local and

organic occurs. For instance, there are core purchasers of local and organic that will purchase no matter the price; however, there is a more moderate group within each segment that will switch from local to organic and vice versa depending on price. So exorbitant premiums may not cause consumers to switch out of the local/organic category, but may cause substitution between local and organic.

A common theme heard throughout the business and academic world is that consumers can and should be educated on the subtle points of local and organic. However, in order to educate we need to know what the consumer knows and does not know, along with what are the motivations behind the purchase decision. Even after gathering this information, successfully educating or changing behavior can be challenging given consumers are bombarded with information from various outlets.

Perhaps a more efficient mechanism is to recognize that consumers are different, but by in large fall into one of several market segments.

Then by understanding which market segment shops at a particular retail location, marketing strategies (and even educational strategies) can be implemented to address issues consumers have on a more personal level.

