



The past, present and future of sustainable industries

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Do organic and sustainable industries have a future or is it just a passing trend?

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Introduction

In the following study, I will be examining the past of organic products and their present fall from 2008. I will show their evolution through the last 50 years and analyze the social effect on this industry. Among others I will review the current situation of the Asian market.

I will try to create a preview of the future of the industry from today's data, and show the predictions from today's professional analyzers of the segment.

What is an organic product?

Organic food

Farmers who emphasize the use of renewable resources and the conservation of soil and water to enhance environmental quality for future generations produce organic food. Organic meat, poultry, eggs, and dairy products come from animals that are given no antibiotics or growth hormones. Organic food is produced without using most conventional pesticides; fertilizers made with synthetic ingredients or sewage sludge; bioengineering; or ionizing radiation. Before a product can be labeled "organic," a Government-approved certifier inspects the farm where the food is grown to make sure the farmer is following all the rules necessary to meet USDA organic standards. Companies that handle or process organic food before it gets to your local supermarket or restaurant must be certified, too.

Other organics

There are other organic products as organic cosmetics and organic chemicals in the cleaning industries. Their producers and some laboratories only call these products organic. But there are no governmental regulations that what does, the above-mentioned terms mean.

Organic Products

So because the governments do not have a definition, I created one for all organic products in every sector.

Organic products are the ones that do not contain any artificial material, and are created in a way, that it would have the least negative effect on our natural resources.

The past of organic products and the changes in our society

In the next section I will be talking about, the situation of the organic and sustainable industries before the 2008 crisis. I will be researching why and how did they evolve. How our society have created these items, and created the need for them? Why is it that our generations is obsessed, by pollution and health?

Reinvention of the wheel

Well why did we need to reinvent the organic industry as such?

After WWII, there were so much extremely great inventions that remained in the society and, since a generation have grown up on them, they were already used to it and were convinced that the chemicals they were using are healthy and safe. But the downsides of these non-organic chemicals have only been appearing only after decades. And the second generation after the war has started to look after these issues. They have found that almost all the replacement products that have been introduced in the war because of the shortage of natural products, are affecting the human body in harmful ways. Some less than others, but 99% of them are somehow having a negative effect.

After realizing these negative consequences and seen that a huge amount of people got sick using these non organic products, they started to look after a new or an old way of getting rid of these illnesses. They found the answer by looking back to the past ages. They realized that by creating products that are very similar to the old ones, that people used two or three generations before, and implementing them to our modern machinery and innovations, by searching and combining the current knowledge by the old habits they can create something that is natural, economical and sustainable in the same time.

The growth of organic product sales before 2008

The growth

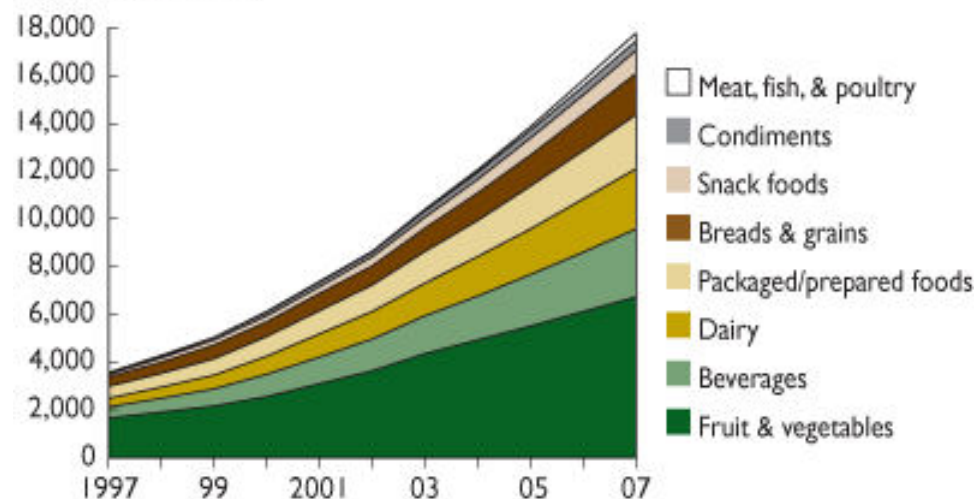
The organic market has been growing yearly. Organic products are taking place of chemical and highly processed ones.

As you can see on Figure 1. under the first successful organic products were parts of the food industry. Even today this sector is the most successful one among them.

Figure 1.

Fruits and vegetables remain the largest category of sales, accounting for 42 percent of organic food sales in 2003

Total sales: \$ million



2004-2007 estimated.

Source: Nutrition Business Journal, 2004.

On the chart you can see that the organic food consumption in Europe has risen from 1997 to 2007 by more than 470% .

(http://www.wikinvest.com/concept/Natural_%26_Organic_Foods_Consumption)

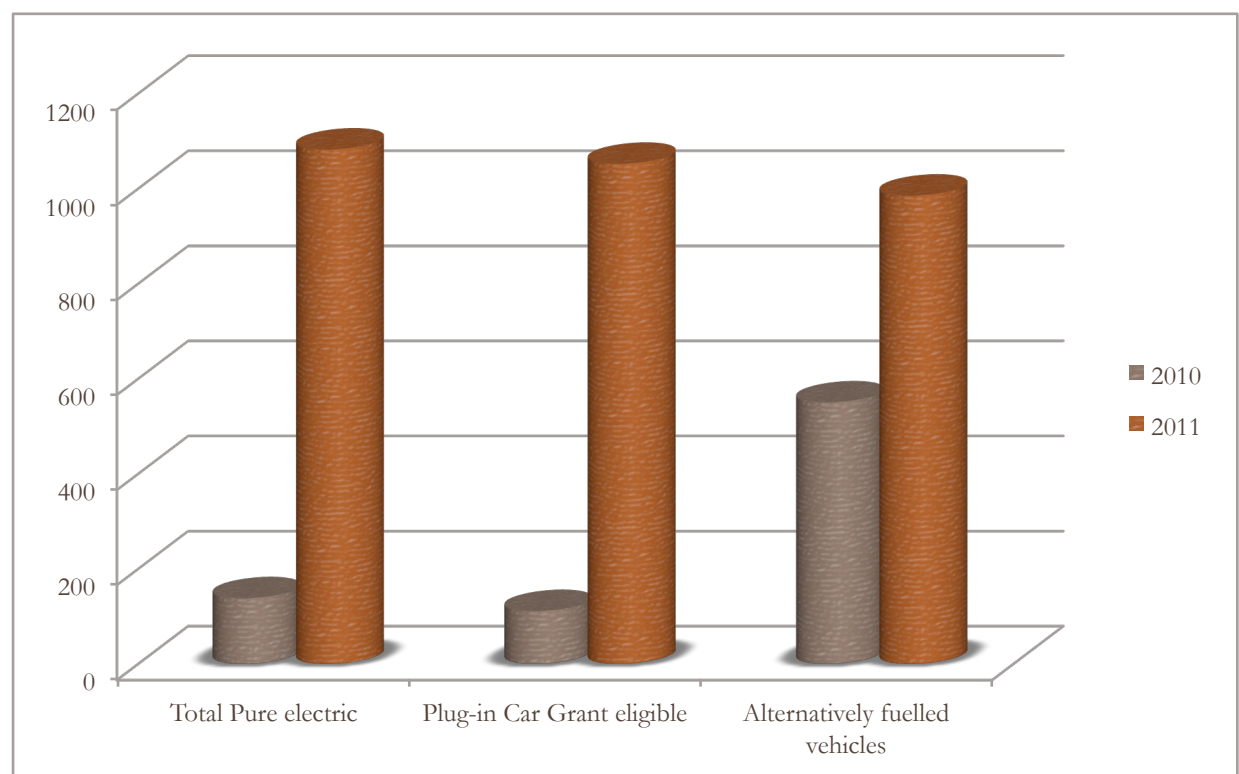
"The diets of European consumers could be 30 percent organically-produced by the end of this decade. In Australia, the value of organic production doubled during the six years to 2000; now standing at \$A250 million, of which some \$80 million is exported (Palaszczuk 2000). This increase in value reflects a rapid growth in the amount of land under certified organic production (now standing at 7.6 million hectares in Australia compared with 1.3 million hectares in the US and 3 million hectares in Europe). It also reflects rapid growth in consumer demand, with growth in Australian domestic demand alone estimated at between 20 and 30 percent per annum (Acres July 2000, p.1)."

(Eating 'Green': Motivations Behind Organic Food Consumption in Australia , Stewart Lockie, Kristen Lyons, Geoffrey Lawrence and Kerry Mummery, Sociologia Ruralis, Vol 42, Number 1, January 2002)

Today we can see the same change, in the transportation industry. One of the star of today's sustainable industry model is the change of the energy sector. It all started in the big oil crisis. In the beginning of the 21'st century there was a huge competition in the development of electric vehicles in the transportation industry. Electric cars are having a bigger market share every year, and are growing at a rate that no one would have predicted before.

The following chart (figure 2.) shows a more than 600% of rise in electric car sales in the UK. (<http://www.thechargingpoint.com/news/UK-pure-electric-car-sales-up-684-percent-in-2011.html>)

Figure 2.



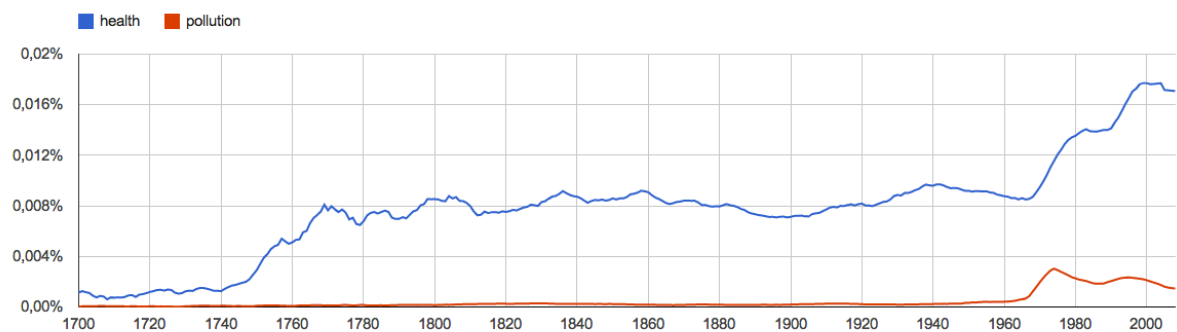
The society behind the changes

The trend of health

Today, it is a trend to be healthy. People are spending unimaginable amount of money, to stay healthy. Since the 70's they are obsessed with pollution and health. It is extremely well shown on the charts under. Google ngrams show that how many times a word is mentioned in the Google books library through time. It is a very visual way to analyze trends and social behavior.

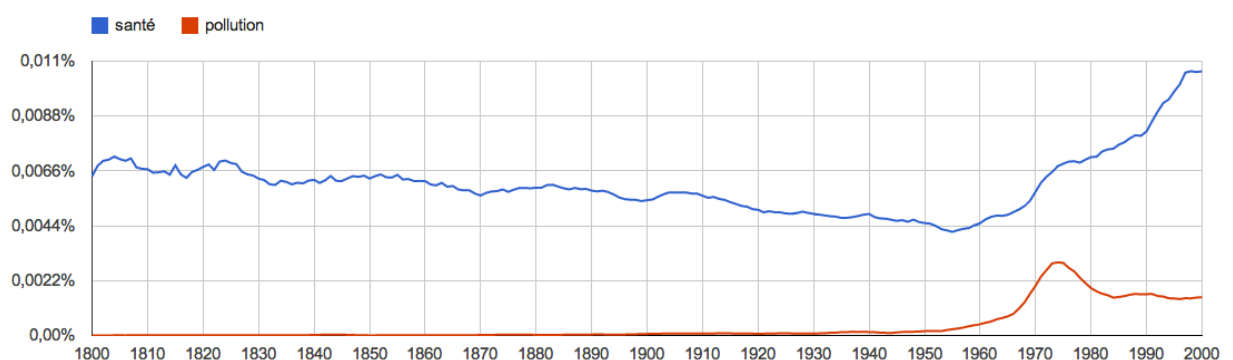
In my research I have studied how many times the word health and pollution have been used in books from 1700 until 2008. These are the data's for English, French and Italian books. (Figure 3-5)

Figure 3.



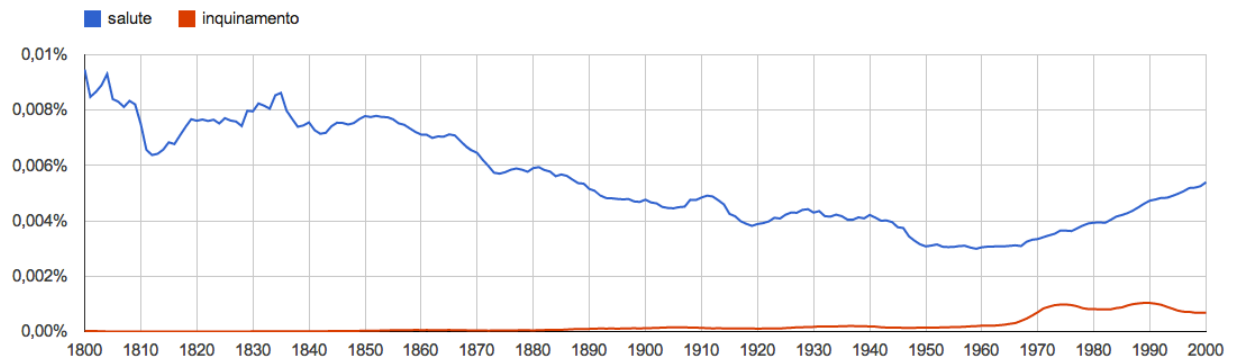
(http://books.google.com/ngrams/graph?content=health%2Cpollution&year_start=1700&year_end=2008&corpus=15&smoothing=3&share=)

Figure 4.



(http://books.google.com/ngrams/graph?content=sant%C3%A9%2Cpollution&year_start=1700&year_end=2008&corpus=19&smoothing=3&share=)

Figure 5.



(http://books.google.com/ngrams/graph?content=salute%2Cinquinamento&year_start=1800&year_end=2008&corpus=22&smoothing=3&share=)

We can perfectly see on every single chart, that around the world there has been a rise of the usage of words pollution and health in books in the 60's. In 1973 people have realized that our modern society is too dependent on oil. In the 70's people did not only realized that the planet will run out of oil after a while, but that there are negative effect of this huge usage of combustion engines on the planet. Since then people were afraid of pollution and its effect on their life. They became even more obsessed with health, and by this they have created a huge market for organic products and sustainable industries.

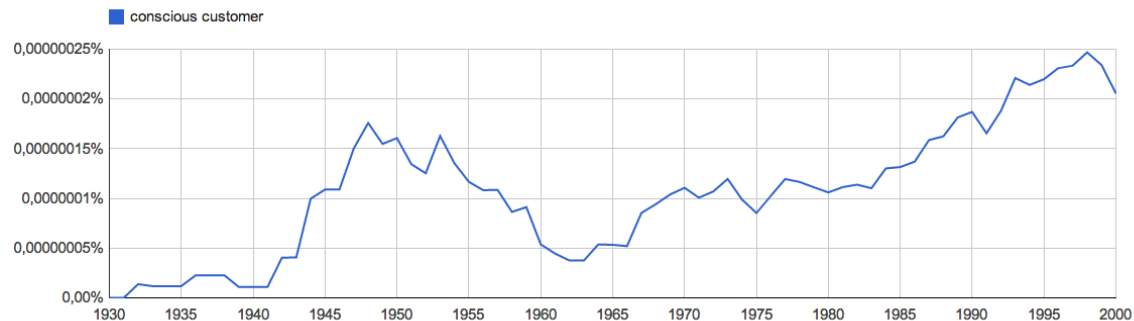
The products needed almost 10 year to follow this phenomenon, but slowly they have started to serve this huge hole on the market.

In the 90's there has been a new rising "sickness". It was the obsession of eating healthy food. Steven Bratman was one of the leading Doctors studying it. Eating disorder charities are reporting a rise in the number of people suffering from a serious psychological condition characterized by an obsession with healthy eating. The condition, orthorexia nervosa, affects equal numbers of men and women, but sufferers tend to be aged over 30, middle-class and well educated.

The condition was named by a Californian doctor, Steven Bratman, in 1997, and is described as a "fixation on righteous eating". Until a few years ago, there were so few sufferers that doctors usually included them under the catchall label of "Ednos" – eating disorders not otherwise recognized. Now, experts say, orthorexics take up such a significant proportion of the Ednos group that they should be treated separately.

The emergence of the conscious consumer

Figure 6



(http://books.google.com/ngrams/graph?content=conscious+customer&year_start=1930&year_end=2000&corpus=15&smoothing=3&share=)

You can very well see (Figure 6) that in the 30's no one has ever mentioned the conscious costumer as such, but since 1960 it is highly rising.

The media as one of the leading strength of the 20'th and 21'st century has created the group conscious consumers. Today everybody is trying to buy organic products, everybody has realized that it is a must for their own good.

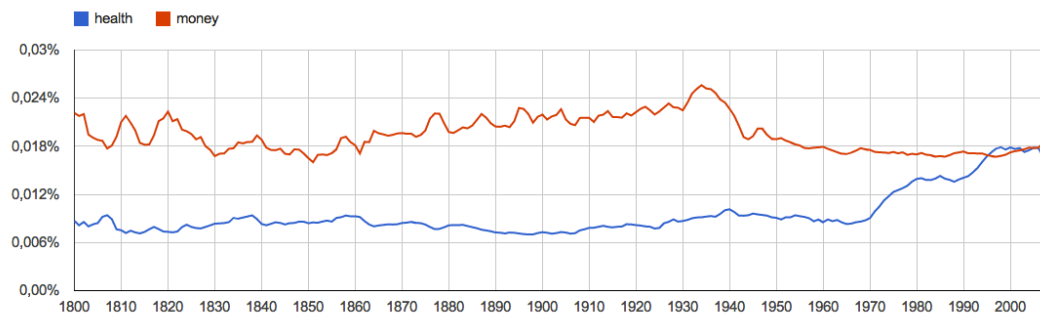
Well perhaps an average person is not well educated enough, to decide if the components of a product's are safe or not, but is trying to decide on the label, where he can see if he is buying an organic product or not.

The present situation from 2008 – 2012

The industry of organic products was very badly influenced by the economic dropdown. Organic products are extremely elastic and price sensitive. People are faced with an extremely difficult choice when they have to choose between a cheaper non-organic and a more expensive but organic product.

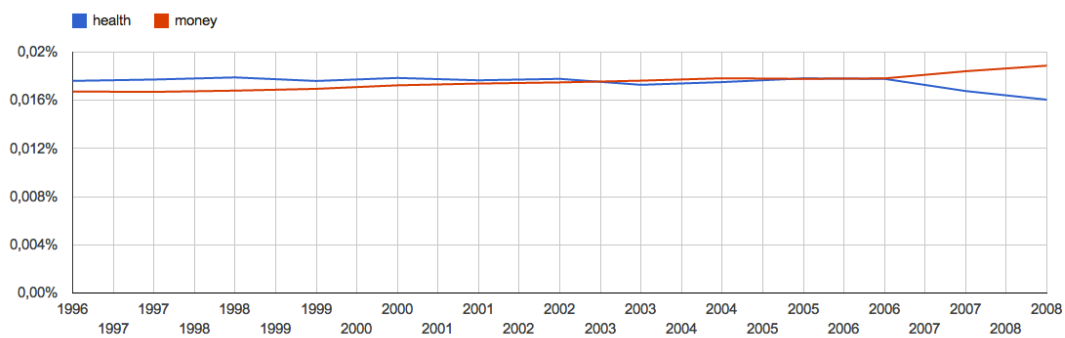
In figure 7. you can see that the word money was almost always more frequent in the books than health, in the past 200 years. But it is clear that in the 70's and at the end of the 20'th century there was a huge raise and finally health was more important for people than ever before. Well today we are facing a small dropdown in sales and it is perfectly logical according to figure 8. Where we can clearly see that money has risen over health, and that peoples concern has been their financial situation and not their well being.

Figure 7.



(http://books.google.com/ngrams/graph?content=health%2Cmoney&year_start=1800&year_end=2008&corpus=15&smoothing=1&share=)

Figure 8.

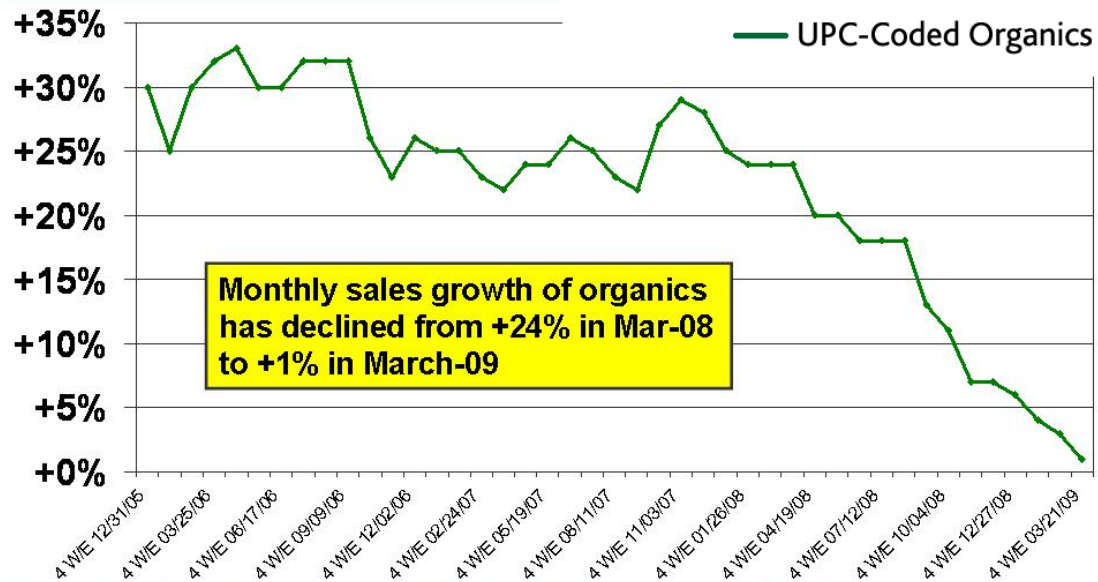


(http://books.google.com/ngrams/graph?content=health%2Cmoney&year_start=1996&year_end=2008&corpus=15&smoothing=1&share=)

December 3, 2012

On Figure 9. we can clearly see what happens with an inelastic product if the buying power of the people is dropping.

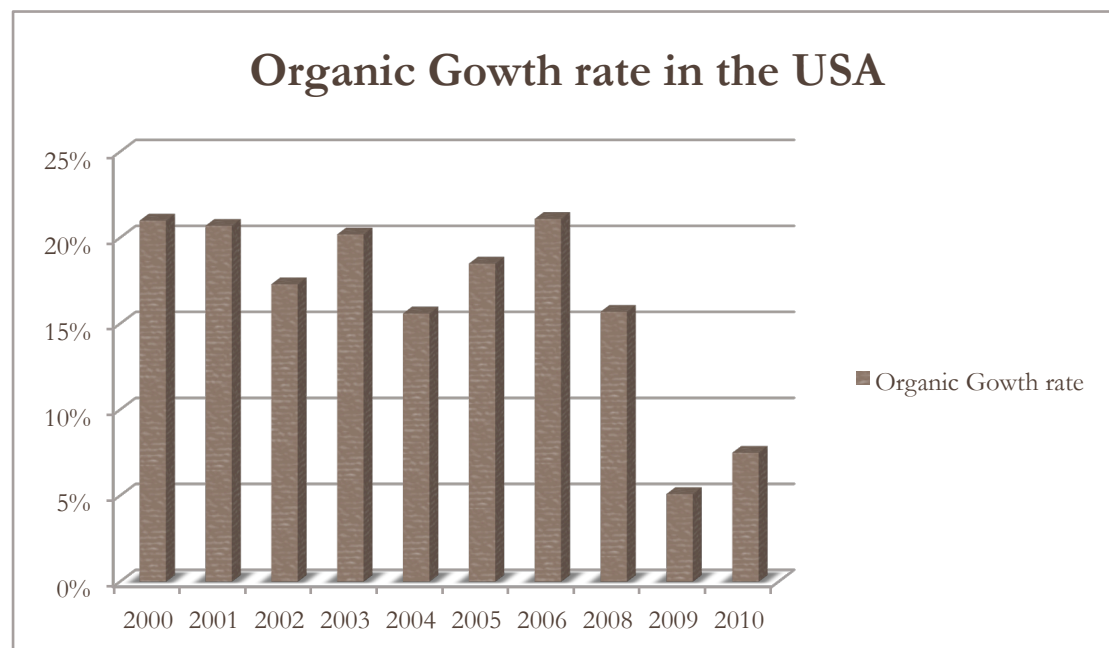
Figure 9.



Source: Nielsen Strategic Planner, Total U.S. Food/Drug/Mass Excluding Wal-Mart, 4-Week Dollar Sales

So we can draw the conclusion that the organic industry has been a huge victim of the 2008 economic dropdown. Since then it is slowly rising and there was no noticeable change on the organic market (figure 10).

Figure 10.

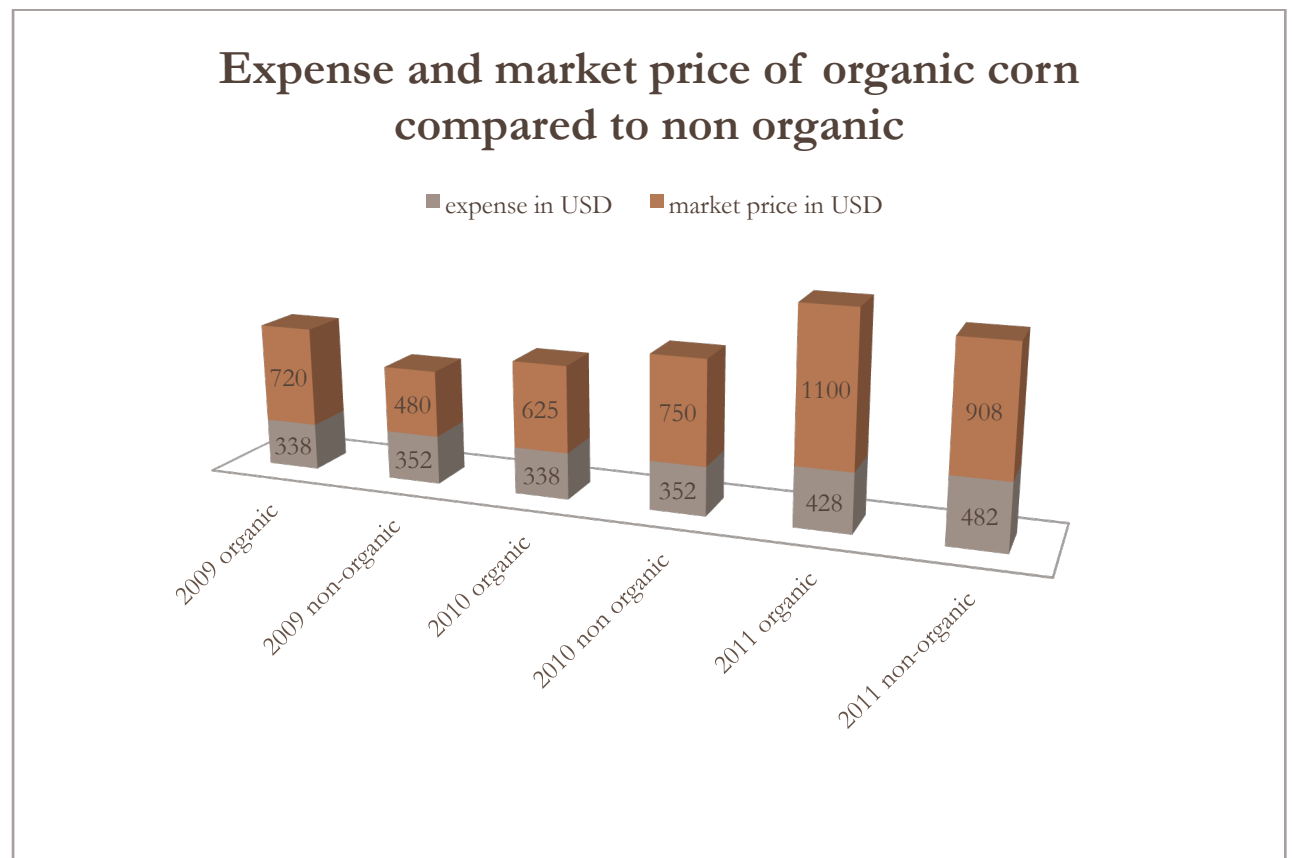


(Organic Trade Association's 2011 Organic Industry Survey)

Why will a costumer choose it?

Why would they choose it? Well today, as always, money is the key driving force if someone is buying a product or not. The fact why sales are still growing is that, there are more and more organic products entering the market on a reasonable price. The price of these products are falling and have specially fallen in the past years of the economic crisis. Since most people did not bought these items because of the high differentiation in the price, producers have now realised that simply because something is organic they should not sell it for more. Yes it is just a starting trend, and mainly it is used in the chemical and cosmetic sector. But I believe that, this tendency will infiltrate the food market too. Producers must forget the idea that organic products are more expensive than non-organic ones. As we can see on the following figures the producing cost of organic corn, is lower today than the non-organic one, while they are still selling it for more. This is the attitude that producers need to change and by this they can raise there sells, and return the growth of organic markets to the 2007 data.

Figure 11.



(Organic Trade Association's 2011 Organic Industry Survey)

Governmental effects

Most of the words leading economical and political forces are highly engaged toward organic industries and sustainable economics. From all of them the European Union has an outstandingly high attention towards these matters.

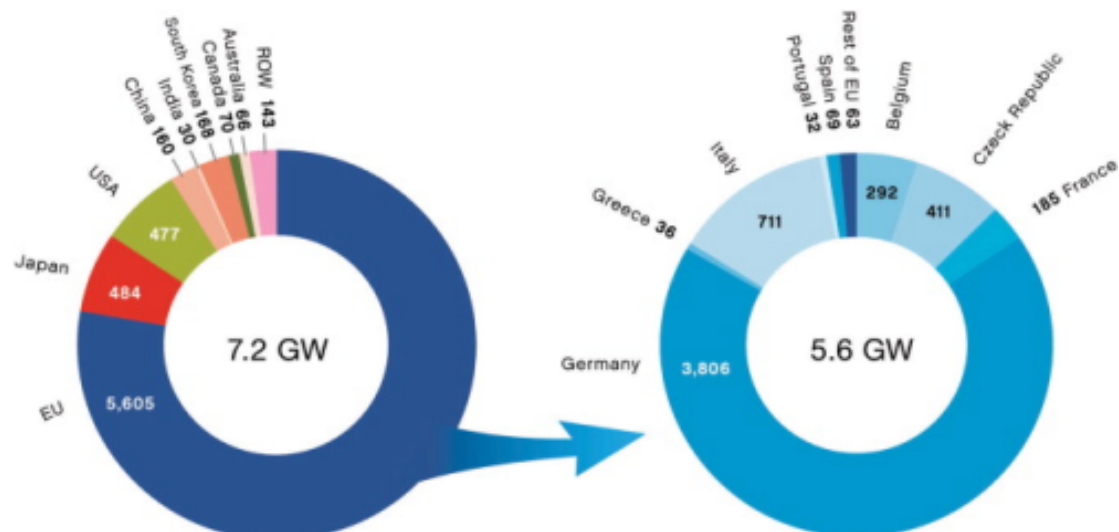
I would like to highlight a few points of the issue of EU named : Innovating for Sustainable Growth: A Bioeconomy for Europe

"The Bioeconomy Strategy and its Action Plan aim to pave the way to a more innovative, resource efficient and competitive society that reconciles food security with the sustainable use of renewable resources for industrial purposes, while ensuring environmental protection. They will inform research and innovation agendas in bioeconomy sectors and contribute to a more coherent policy environment, better interrelations between national, EU and global bioeconomy policies and a more engaged public dialogue."

"Ensuring food security

Global population growth by 2050 is estimated to lead to a 70% increase in food demand, which includes a projected twofold increase in world meat consumption. The Bioeconomy Strategy will contribute to a global approach in meeting this challenge by developing the knowledge-base for a sustainable increase in primary production, taking into account all options from cutting-edge science to local and tacit knowledge. It will also encourage changes in production and consumption patterns and the development of healthier and more sustainable diets."

Of course the political systems are very eager to drive the market, but it is not only on them. The European Union is the leading political power on Earth who is giving the most resources and is taking the most care of the sustainable industries. I think one of the direct consequences of this is that Europe is the main renewable energy producers on the planet. The chart above proves it perfectly.



Is it only our society?

Well the trend of organic food is growing not only in the western culture countries, but also in China, India and the Asian continent. They are very big consumers of organic food and products. It could be a very surprising point if we are looking at the western market where people are having a much higher income and still are reducing consumption, because of the prices. But in the Asian culture people are much closer to nature because of a cultural and religion point of view.

“China’s domestic market in organic products began to develop in the mid-2000s and has expanded very rapidly, especially in the past few years when stories of food scandals became prominent. Chinese organic consumers can be divided into eight main groups: white collar families; families with young children; families with health issues; overseas returnees; business people from Chinese Taipei and Hong Kong (China); government officials; young people; and foreigners living in China. White-collar families, accounting for 40% of organic consumers, are the largest group. Studies regarding organic products indicate that Chinese consumers are very concerned about food quality, which they define less in terms of appearance and more in terms of nutritional properties and safety. Reliable certification is important and trusted more than advertising and promotion, especially by producers and traders. Consumers are also less concerned about whether organics are produced in China or imported.”

(ORGANIC FOOD PRODUCTS IN CHINA: MARKET OVERVIEW, International Trade Center)

Some American experts try to prove that the so-called organic food in the eastern market is not reviewed enough. There is no proof that the organic food produced in China or India would have a worse quality, but it is true that because of the size of these systems there is a chance to pass over the radar. I believe that the eastern market could be, the leading force in the organic industry in the next 20 – 30 years. They have massive amount of people that needs a sustainable economy because without they will have to face massive problems of catering in the next 10-15 years.

The country that we most not forget is Japan. Japan is the number one organic product consumer on the Asian market, but not in the food sector. Japan is leading the world in organic cosmetic sector.

So what about Asia?

As in almost everything, they will be leading this sector by the end of the decade. As I presented Asia is not one big market but, the fact that they are leading forces of the same organic market, only with different products is the proof that not far from now they are going to be the major organic producers of our world.

The future of the industry

Well it is a common point of view, that we do need a sustainable industry and that, in the future we should move toward a greener and more organic model.

But what is the cost of it?

Well we all know that all products of the sustainable industry are more expensive in the present time. And since 2008 there has been a small drop in the raise of the consumption of these products. Well in this case I would like to refer to myself in “why will a costumer choose it?. Price is so important today for people that, they are loosing the possibility of being a consciousness costumer. Since they do not have the possibility to choose from a wide price range and by this they are loosing the possibility of consuming healthy food.

The market of the organic industry is so inelastic that it could not stand the price changes of the economic crisis of 2008. People have a huge range of products, and they are only going to choose organic ones if they will have the same characteristics on the same price as non-organic ones.

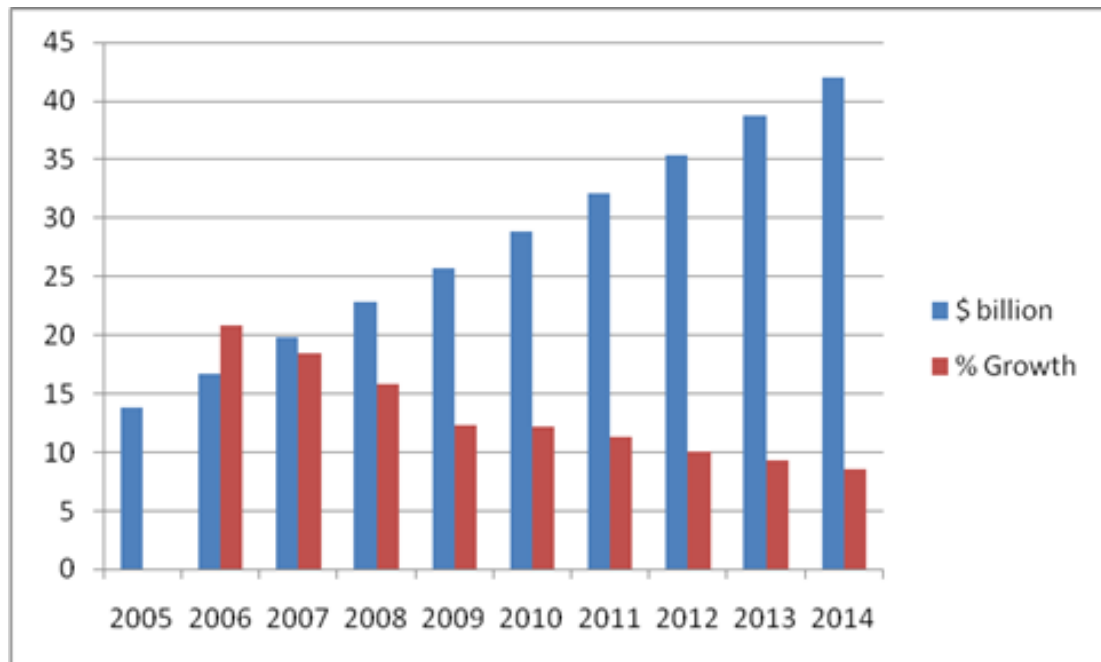
"In that context, the Europe 2020 Flagship Industrial Policy Communication was published on 28 October 2010. It notably sets out a new framework to promote the modernization of Europe's industrial base and the transition to a low carbon resource efficient economy; mobilizes the full range of EU and Member State policies to ensure that the EU remains an attractive place for business investment and job creation – not least in the green economy; outlines a more focused industrial innovation policy to promote the wide deployment of new key enabling and environmental technologies and addresses access to essential raw materials."

(http://ec.europa.eu/enterprise/policies/sustainable-business/sustainable-industry/index_en.htm)

As we can read in the European Union's sustainable industry policy, the current political system has already realized the importance of this market. By knowing that political powers, and costumers are very dedicated toward organic and green industries, I can only predict that the organic and green industries must have a very bright future toward them. Of course we must never forget that the drop that the economic crisis have created, is a very real danger to this market. If the current crisis continues this market segment can reach a point where it will be unable to survive because of the inelastic market.

Major financial analysts are previewing a stable around 5% growth on the organic market, and say in 4 years it can even return to have a growth of above 15%.

Figure 12.



(<http://www.sbdcnnet.org/small-business-research-reports/retail-organic-food-industry-in-the-u-s>)

Future of the eastern market

I would like to start with 2 figures:

Figure 13

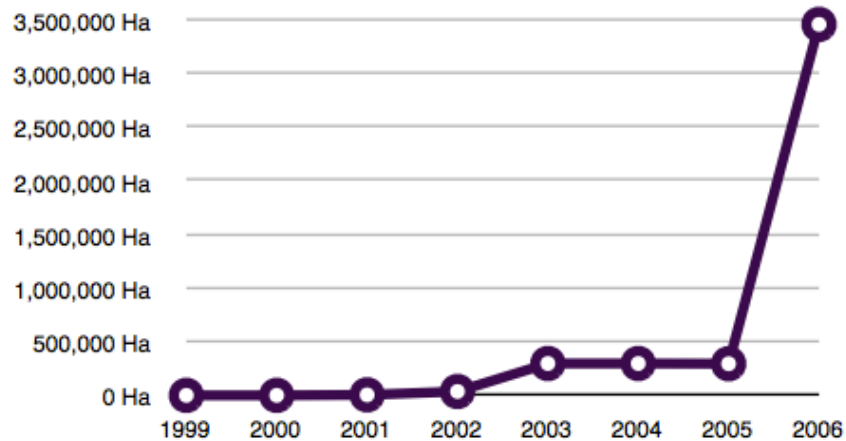


Fig.1.Organic Hectares in China 1999 to 2006; no data available prior to 1999. (Data sources: Willer & Yussefi, 2000a; Willer & Yussefi, 2000b; Willer & Yussefi, 2001; Yussefi & Willer, 2002; Yussefi & Willer 2003; Willer & Yussefi, 2004; Willer & Yussefi, 2005; Willer & Yussefi, 2006).

(ORGANIC FOOD PRODUCTS IN CHINA: MARKET OVERVIEW , International Trade Center)

Figure 14

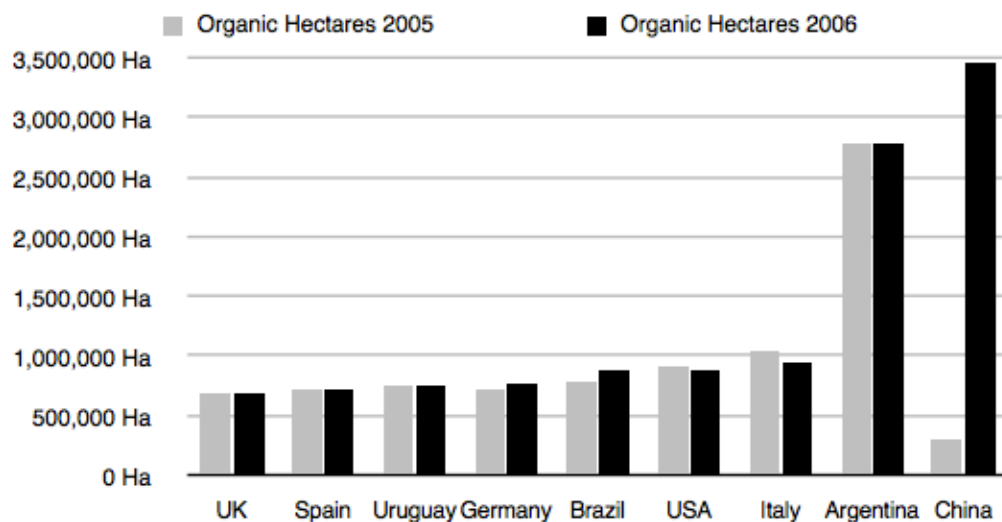


Fig 2. Total area under organic management, 2005 & 2006 for top organic countries, #2 to #10. Australia is #1 with 12,126,633 Ha in 2006 and 11,300,000 Ha in 2005, of which most is low intensity cattle grazing country. (Data from: Willer & Yussefi, 2005; Willer & Yussefi, 2006).

(ORGANIC FOOD PRODUCTS IN CHINA: MARKET OVERVIEW , International Trade Center)

These two figures (Figure 13 and 14) are representing the future of the Asian specifically the Chinese market. As you can see China did from being among the last in the world of having organic farms, to being the first in only 1 year (figure 14). The fact that China could create more than 3.4 million hectares of organic farms is almost fictional. Only Brazil could raise the amount of its organic farms, and by not even 1%. This growth is factual and will be continuing in China in the next 2-3 years.

In 2005 China thought that they have found the problem for their nutrition problems, and started to invest in organic farming. Present day data show that it has been a total success and there is such a huge need for organic products in China that there is even place for import organic products. It is a fact that today China is low on organic food and cleaning products.

As they have done before, I think they will do so in the future and start to solve these problems by themselves and serve the market with Chinese products.

“In Asia, especially in Japan, Korea, Malaysia, Hong Kong, Singapore and Taiwan the popularity of natural and organic cosmetics has significantly grown. In countries gaining economic weight such as India, sales volumes of cosmetics have undergone a general growth including natural and organic cosmetics. Amongst other reasons, this is due to rising income levels which allow the growing middle-class to afford more personal care products. At the same time high-income consumers have started to look for premium products.”
(<http://spreadorganic.com/speech-of-gerald-herrmann>)

The Japanese cosmetics market has not grown for more than ten years. However, there are growing cosmetics products, which can be classified into three sub-sections under the keywords of “Organic”, “Natural” and “Orient vegetable”.

The market for skin care cosmetics has shown a rapid growth in the recent years as increasingly many women are aware of their sensitive skin, safe products, ecology and lifestyle called Lohas (Lifestyles of Health and Sustainability). The number of companies that have entered into this market has also increased. In 2009, the market made total sales of 95,300,000,000 yen, showing an increase of 6.1% from the previous year. Of this figure, lotion accounts for 28.2%, followed by essence with 26.3%, cream (15.4%), cleansing and facial cleanser (10.1%), face masks and pack (6.3%), and milky lotion (5.2%). It is a characteristic of this field that lotion and essence, which have relatively simple prescriptions, account for the majority of the sales. Let me discuss the “Organic”, “Natural” and “Orient vegetable” products separately.

In Japan, imported brands from Germany, the US and the UK have dominated the natural organic cosmetics market. Foreign affiliated firms generally start selling products via two or more agencies and then establish their Japanese offices or corporates for full-scale sales. Japanese brands have rapidly increased since 2008. There are varieties of Japanese brand products ranging from those that use the best ingredients and production procedures to low-price articles that contain some organic ingredients. By the establishment of the Japanese organic certification group, this Japanese market will spread further. I look forward to seeing the development.

Conclusion

The fact is that organic product and the sustainable industries are the next big bubble after the .com bubble. These sectors are rising yearly, the financial crisis had its effects on the market but only because the raise was so high before, that the fact that they had returned to a moderate growing seemed like a disaster. Sustainable industries are the future and can solve several problems that todays politicians and economists have to face. Nowadays the European Union and the US are the biggest organic producers around the world. The EU was one of the first to realize that this scheme could work, and was one of the first who started to implement these ideas to its official plans. But because of the current financial situation Europe cannot lead this revolution for long time. In the next few years we will see the rise of the eastern countries in this sector too. It is physically impossible two overtake China, since they have 7% of the world's total farmland. Of course we all know that 7% of the farmland will not be enough for 20% of the worlds population, but China is preparing and investing huge amounts of money into African farmlands to solve its problem.

So I would like to answer my research question. Organic products and sustainable industry is not a passing trend. It is a rising trend, which is the way to the future well being of people.

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS
INNOVATING FOR SUSTAINABLE GROWTH: A BIOECONOMY FOR EUROPE
{SWD(2012) 11 FINAL}

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