Marketing Organic Meat in Quebec

Final Report

A Study commissioned by:
Le Syndicat des producteurs de viandes biologiques du Québec

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EXECUTIVE SUMMARY

In recent years, the organic food production industry has grown considerably in every part of the world. It is estimated that this industry has grown at a rate of 20% per year over the last 5 years. In Canada and in Quebec, all signs indicate that most stakeholders were not prepared for such rapid growth in demand, since approximately 80 to 85% of the organic market in Canada is serviced by foreign suppliers.

In Quebec, inadequate marketing seems to be the cause of the organic meat producers' inability to take advantage of this growth potential. A poll taken amongst Quebec organic meat producers indicates that one of the main deficiencies in the industry lies in its marketing plan. In fact, only 23% of producers polled said they were satisfied with the way their products were marketed.

Given this situation, the Syndicat des producteurs de viandes biologiques du Québec (SPVBQ) has retained the services of ÉcoRessources Consultants to design and carry out a study in order to define and clarify the actual status of supply and demand for organic meat in Quebec and to better understand the dynamics of marketing organic meat products in Quebec. The main objective of this study is to provide strategic recommendations to the SPVBQ on how to improve the methods of marketing their products in Quebec.

Findings:

In response to the mandate given to us by the SPVBQ, ÉcoRessources Consultants performed an extensive review of the literature, conducted interviews with more than 60 stakeholders and has arrived at the following findings. The first three findings are the most significant:

- First, organic meat producers must deal with a stagnant market that does not adequately reward their efforts, from a financial standpoint.
- Second, demand is now growing at a slower rate (5 to 7%) than supply (8 to 10%). Consequently, the producers' situation will not improve by and in itself.
- Third, the organic meat market is a very specific niche market that needs to be managed as such.

The additional findings listed below provide further explanation on the issues that producers face:

Organic meat currently accounts for a maximum of 1% of the organic food market, which itself accounts for 1 to 2% of the food market in Quebec.

- Only certain segments of the population purchase organic meat. Consumers who are willing to buy organic meat and pay the associated premium are generally those who are sensitive to ethical and environmental issues, and those who prefer better quality meat. In terms of a geographical distribution, the demand for organic meat is driven mostly by consumers in Montreal and other urban areas.

- Consumers, as well as numerous professionals in the agri-food industry, are confused as to the exact nature and distinctive characteristics of organic meat. This has an adverse effect on the recognition of the product by consumers.

- The organic meat supply is quite diversified. Several types of meats are offered to consumers, and production is scattered throughout the province.

- Competition is fierce and comes from foreign producers who offer organic meats at attractive prices as well as specialty meat products (natural meats, products bearing geographical identification, game meat, etc.) and who claim their products have some of the attributes of organic meat but at lower prices.

- The inconsistent and sometimes unsatisfactory quality of organic meats is hampering the development of this sector.

Recommendations:

Faced with these difficulties, some stakeholders are tempted to turn to the mass market. As attractive as this option may be (i.e., getting organized and reducing prices at the expense of quality to appeal to more consumers), it could destroy the market's competitiveness, rendering it uncompetitive both in terms of pricing and quality. This approach is likely to distance producers from the target markets that make up the most part of their consumer base.

As a general approach, ÉcoRessources Consultants suggests that the sector target those niche markets that recognize and, most importantly, reward the efforts put out by producers. With this aim, Quebec organic meat producers must, as a primary objective, improve the quality of their products. They will also need to clearly communicate to consumers the distinctive attributes of their products. Finally, they will have to improve distribution channels for their products and their own organization.

There are several tangible actions the SPVBQ can take to help improve the producers' situation. These actions are outlined in the table below and cross-referenced with the specific objectives set forth above.

TABLE 1 – SUMMARY OF RECOMMENDATIONS ON HOW TO MARKET QUEBEC ORGANIC MEAT PRODUCTS

Main Actions	Secondary Activities	Specific Objectives Pursued
1. Define quality criteria	• Develop quality specifications for products • Develop a "Quebec Organic Meat" certification	• Quality • Information
2. Identify Regional Project Officers	• Create marketing associations • Support quality improvement initiatives • Organize professional development activities	• Quality • Information • Distribution • Organization
3. Inform consumers and agri-food professionals	• Information flyers • Information portal and list of sales outlets (Internet) • Media information office	• Information • Organization
	• Modify existing joint plans • Provide consumers with a better understanding of production costs • Secure additional government support	
4. Undertake specific studies	• Identify demand drivers: obtain information on quality criteria and on information/awareness factors that are important in the targeted market segments • Examine public awareness and support in other countries	• Quality • Information • Distribution • Organization

Source: ÉcoRessources Consultants

The top priority for the SPVBQ, from a very practical point of view, should be to establish quality criteria in line with buyers' requirements (mainly end consumers and butchers). Given the present situation, the development of specifications designed to achieve this objective and, ultimately, to create a "Quebec Organic Meat" certification would allow the industry to improve product quality while creating a powerful communication tool for targeted consumers.

Concurrently, support should be given to enable associations to produce the following results: organize and improve product distribution; organize professional development activities (training, visits, etc.) related to quality; identify and solve local and regional product distribution issues. To that end, the appointment of a paid project manager is certainly an important step.

Another series of measures should be undertaken to improve the level of recognition of organic livestock production and products by both the sector's targeted client base (including consumers, butchers and restaurateurs, etc.) as well as with the government and certain organizations and businesses such as La Financière agricole du Québec, the UPA and its specialized federations, slaughterhouses, etc. There are still very few of these stakeholders who are aware that the "organic" label is regulated and, as such, is backed by rigorous specifications designed to guarantee compliance with sound production methods and ensure inspections are performed by independent third parties, and that Quebec regulations are based on international benchmarks. Acknowledging these elements will lead to increased sales and additional support from public institutions and organizations in the agri-food sector.

Finally, relevant research studies will support the above-mentioned actions. First, studies aimed at identifying consumer characteristics should be undertaken to determine the specific demand drivers for each type of product (price, appearance, outlet location, motive for purchasing, meat cuts, colour, taste, etc.), which would help guide the work to be done to improve quality, marketing and communications with buyers. Furthermore, a study on the ways in which various countries have chosen to support organic agriculture could be beneficial to help the SPVBQ attain better recognition of the organic livestock sector by different government authorities.

1. INTRODUCTION

In recent years, the organic food production industry has grown considerably in every part of the world. It is estimated that this industry has grown at a rate of 20% per year over the last 5 years (Salha and Robitaille, 2005). Some even estimate this growth to be 25% in Canada (Deglise, 2005), bringing the market share of organic foods to 2% of the overall food market in Canada (Salha and Robitaille, 2005).

In Canada and in Quebec, it is clear that most stakeholders were not prepared for such a rapid growth. A dramatic indication of this lack of preparation is the fact that approximately 80 to 85% of the Canadian organic products market is serviced by foreign suppliers (Salha and Robitaille, 2005) from various parts of the world: the Unites-States, Chili, Costa Rica, etc. (Deglise, 2005).

The organic meat industry is particularly affected by this situation, although various health outbreaks in this sector (avian flu, epizootic diseases, foot-and-mouth disease) in the 1990s generated increased demand for organic meats. It is estimated that the mad cow disease outbreak led to a 35% increase in demand in 2003 alone (Salha and Robitaille, 2005). In Quebec, organic meat producers cannot seem to take advantage of this potential for growth, mostly because of poor marketing of their products. Most producers are basically responsible for marketing their own products. They don't have a collective marketing plan, and Quebec processors and buyers don't know where to purchase their products.

In fact, a recent poll of organic producers in Quebec indicates that most of them believe that one of the primary limitations in their industry is inadequate marketing (Hurteau, 2004b). This study showed that only 23% of producers polled said they were satisfied with the way their products were marketed. As for the representatives of larger distribution outlets in Canada, they stated that one of the main problems with organic products is the difficulty in supplying stores because of the small volume of products available (Salha and Robitaille, 2005).

Given this situation, the Syndicat des producteurs de viandes biologiques du Québec has retained the services of ÉcoRessources Consultants to conduct a study designed to help members and leaders define more clearly the actual status of supply and demand for organic meat in Quebec, Canada and the United-States and to better understand how to market organic meat in Quebec. The fundamental objective of our study is to provide strategic recommendations to the Syndicat des producteurs de viandes biologiques du Quebec (SPVBQ) on how the organization can improve the ways in which organic meats are marketed in Quebec.

This study relied on two main sources of information: a literature review and a survey. Also, a day-long information and exchange seminar was held in Drummondville on November 21, 2006 by the Fédération d'agriculture biologique du Québec (FABQ) where some of the analyses and avenues to explore presented in this report were discussed and, in some cases, corroborated.

2. DEMAND FOR ORGANIC MEAT[1]

Markets are dynamic entities that fluctuate according to several different factors. Today, however, radical changes are occurring in Europe and America with regards both to demography and lifestyles. Concurrently, additional changes can be observed regarding the concerns and shared values of a major segment of the population. In order to understand market dynamics and ensure better product positioning, one needs to also grasp these trends. The focus should be in understanding how these deep-rooted trends are likely to affect the consumption of organic meat in the medium and long term. Then, we will closely examine the current market situation for organic meats as well as consumer behaviour.

2.1. Socio-demographic trends affecting consumption

2.1.1. Meat consumption

Organic meats are, above all else, meats, and as such are subject to certain trends. Since the 1980s, for example, the portion of food expenditures allocated to meat by Quebec households has dropped considerably. In less than 20 years (from 1982 to 2001), this portion has gone from 29.3 to 20.5% of the total food budget. This represents the most dramatic decline among all major food groups. The total portion of household budgets allocated to food has also decreased. The *Survey of Household Spending* done by Statistics Canada indicates that, in Quebec households, spending on food was only 13.2% of total expenditures in 1997, and had dropped to 12.6% in 2004.

[1] It is extremely difficult to statistically document the evolution of the Quebec organic meat industry, as very little reliable data are available regarding the organic sector, both in Quebec and in Canada. Only estimations and assumptions are available.

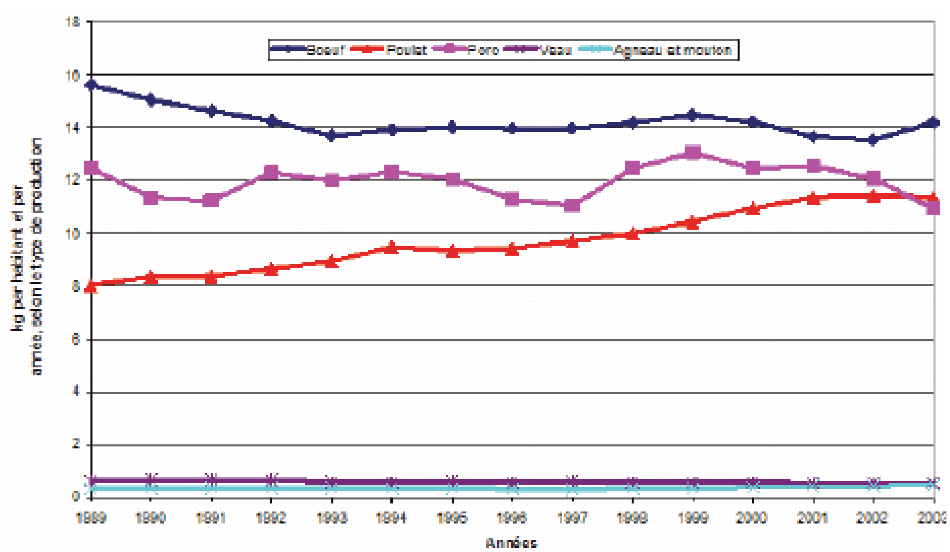
TABLE 2 – BREAKDOWN OF ANNUAL FOOD EXPENDITURES PER PERSON IN QUEBEC, 1982-2001 (%)

Food category	1982	1992	1996	2001	Variation 1982-2001
Meats	29.3	24.5	22.0	20.5	-30.1
Fish and other seafood	3.0	3.5	3.5	3.2	7.7
Dairy products and eggs	16.6	16.4	16.1	15.7	-5.5
Bakery and other grain products	12.6	14.9	15.8	14.7	16.1
Fruits and nuts	9.8	11.0	11.1	10.8	10.0
Vegetables	9.1	9.7	9.9	10.4	14.6
Non alcoholic beverages	3.5	4.3	4.3	4.0	13.6
Other	16.2	15.8	17.3	20.9	29.0

Source: Statistics Canada

With regard to the quantity of meat consumed by Quebeckers, the situation is no less disturbing. Even chicken consumption, which had been progressing steadily since the end of the 1980s, is now increasing at a much slower rate. The trends related to the consumption of the two other preferred types of meats in Canada, beef and pork, are relatively stable or descending.

FIGURE 1 – EVOLUTION OF CONSUMPTION OF MAJOR TYPES OF MEAT PER HABITANT IN CANADA, 1989-2003



Source: Statistics Canada, Food Consumption in Canada

2.1.2. Aging and a slow-growing population

The population in Quebec and in Canada is aging. The data provided by the *Institut de la Statistique du Québec* (Institut de la Statistique du Québec, 2003a), indicate that the percentage of persons aged 50 and over, which was 31% in 2001, will reach 44% in 2036. As for the total population, it should peak at almost 7.9 million people in 2003 (+ 6.3% compared to 2001), at which point it will stop growing and start to decline.

The aging and declining population is a fundamental trend that will have a detrimental effect on the development prospects for the entire meat industry. It is a well-known fact that elders consume less meat than younger people. Furthermore, a decline in the population will have a negative impact on consumption prospects in general. Consequently, the organic meat sector is likely to be affected by the decline in meat consumption brought about by these trends.

2.1.3. Hectic schedules

Family members are increasingly busy. The parent-chauffeur trend is becoming more widespread with children taking part in more and more sports and cultural activities. Also, more households now have two working parents.

These trends have a huge impact on consumption patterns. Cassano (1999) claims that the time allocated to preparing meals has dropped over the years: In 1967, it took up to 2 hours to prepare dinner in the United-States, whereas today, dinner is ready in as little as 5 minutes. To illustrate this change from an average baby-boomer's standpoint, one could say that their grandparents owned the animals they ate, their parents no longer owned the animals but purchased their meat in sides of beef and today, they (the baby-boomer generation) purchase their meat in individual, ready-to-use portions, while their children purchase ready-to-eat, "tv-dinner" style meals and eat out in restaurants (where very little organic meat is served) more often.

It is estimated that the homemade meal replacement business has an annual growth of 8% and provides much larger gross profit margins than the ingredients' market. According to Cassano (1999), 1996 was the first year where, in the United-States, restaurants recorded higher sales from take-out orders than from meals consumed on the premises. In fact, at 4 pm, 40% of Quebeckers still don't know what they will be having for dinner that evening. The most important selection criteria in this decision are: ease of preparation (50%) and type of food (31%). Price therefore seems to be a secondary factor for this product category.

This trend towards fast food and ready-to-eat meals will benefit those industries that can offer a steady supply (in terms of quality, volume and timing) to food processors, distributors and other buyers. Currently, it seems that Quebec organic meat producers are not in a position to do this as they have chosen to favour direct sales to consumers and sell most of their products to consumers who are willing to spend more time shopping for food and preparing meals.

2.1.4. Increase in disposable income

In May 2006, Statistics Canada reported that the average income of Canadian households, in constant dollars, had reached a plateau in 2003 after increasing 3.2% each year between 1996 and 2001. Furthermore, the percentage of low-income households has been declining since 1996, going from 12.1 to 8.4% of all households. Statistics Canada observed essentially the same trends with regard to the income of elder households and the number of low-income elder households (Statistics Canada, 2005). Quebec statistics also show that disposable income, in constant dollars, has increased steadily for singles and families between 1996 and 2002 (Institut de la statistique du Québec, 2005). This fundamental trend is beneficial for organic meat producers since the typical organic meat consumer has a higher average income.

2.1.5. Oil prices and inflation

It seems that the significant increase in oil prices has not had the drastic effect on inflation that most analysts were anticipating. It is still likely, however, that the increase in oil costs will exert significant pressure on household expenditures. Compared to the increase in disposable income, this trend will have the opposite effect on the demand for organic meat.

2.1.6. Connection between food and health

In recent years, malnutrition has taken on a different face. Poor nutrition has led to a significant obesity problem. This condition is associated with a number of other health problems such as cardiovascular disease, diabetes, respiratory disease, certain forms of cancer, etc. Together, these diseases are devastating not only for the life expectancy and quality of life of individuals and populations affected, but also for government budgets. While the correlation between obesity and exercise is well documented today, the connection between food and health is becoming increasingly clear for authorities and consumers alike[2].

[2] Refer to: www.cdc.gov/nccdphp/dnpa/obesity

The trend towards "healthy" eating is quite remarkable and everything seems to indicate that this trend is evolving. Whereas in the past, "health" foods were predominantly "light" in harmful constituents, they are now offered in versions containing various beneficial constituents such as antioxidants, probiotics, etc. Another example of this trend is the arrival of nutraceuticals and functional foods on the market.

It is a known fact that the primary reason for purchasing organic foods is health. However, it can be risky to try to take advantage of this connection for a variety of reasons. As Brandt and Mølgaard (2006) explained in detail, very few scientific studies have demonstrated that organic foods are better than their conventional counterparts. Consumers seem to believe that organic foods are better for their health, that they contain less "harmful" constituents (pesticides, hormones, cholesterol, salt, etc.) and more "beneficial" constituents (antioxidants, vitamins, protein, etc.) However, the health criteria that are generally monitored and widely acknowledged by reputable organizations such as the *Heart and Stroke Foundation of Canada* (trans fat, cholesterol, etc.) do not recommend increasing one's consumption of organic meat. Recently, the HSFC joined forces with the *Beef Information Centre* to allow the use of the "HealthCheck™" logo on certain lean cuts of beef.

We can therefore conclude that there is a significant cognitive dissonance between the position of health professionals who recommend eating less red meat and that of organic production stakeholders who claim eating organic meat is beneficial for one's health.

2.1.7. The joy of eating

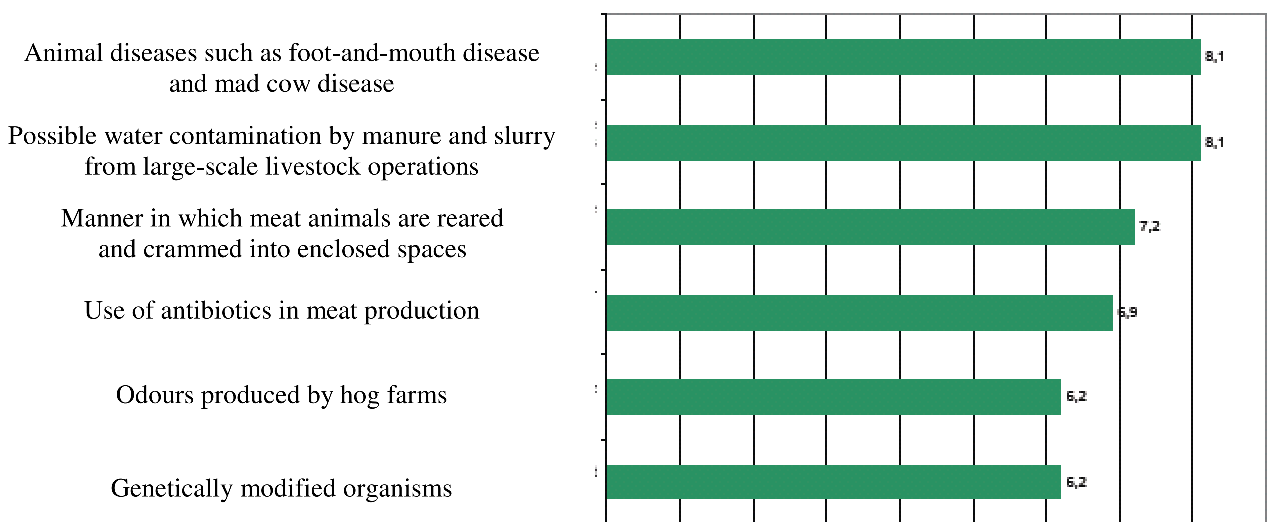
There are eloquent signs that some consumers are tired of depriving themselves. There is a certain enthusiasm nowadays for gourmet eating and foods that offer distinctive quality, taste or sensations. Certain segments of the population, attracted by new tastes and sensory experiences, are willing to pay the premium associated with distinctive foods, whether they are certified organic or not. These consumers almost always turn to organic meats because of the added value generally associated with these products. It seems, however, that some consumers have been disappointed too many times by the quality of the products they purchased.

2.1.8. Ethical issues

In the mid 1990s, a trend towards ethical consumption started in Quebec and has been growing ever since. For starters, it is quite obvious that Quebeckers are generally concerned about the quality of their environment, as can be observed by the strong public reaction to the announcement of the Suroît project or by the fierce opposition put up by several groups regarding the growth of the hog production industry in Quebec. This opposition was, in fact, the subject of a documentary called "Bacon, le film" which raises several questions related to the consequences of cohabitation and the impact on the quality of the environment.

Furthermore, a poll taken in 2001 for the MAPAQ outlines the level of concern expressed by Quebeckers regarding certain factors related to food quality (Filière agroalimentaire du Québec, 2004). It seems that organic meat production is affected, in one way or another, by most of these elements.

FIGURE 2 – LEVEL OF CONCERN OF QUEBECKERS REGARDING CERTAIN FACTORS RELATED TO FOOD QUALITY (0=NO CONCERN; 10=HUGE CONCERN)



Source: Filière agroalimentaire du Québec 2004[3]

There has been a gradual change in these ethical concerns towards specific buying patterns: The belief that "buying is voting" has now become widespread; fair trade has become institutionalized and is today the object of certification for more and more products imported from southern countries; environmental management standard ISO 14 000 has been adopted by several sectors of the economy.

This trend is highly favourable for the organic meat industry because these products offer concrete solutions to numerous ethical issues amongst the population such as GMOs, animal welfare, environmental protection, local food supply, preservation of midsize, family-run farms, etc. For example, in light of climate changes and rising oil prices, the current situation could reinforce the trend towards local food supplies that rely less

[3] Survey of 1,200 Quebeckers done by SOM on the image of the agri-food business in Quebec between May 15 and June 3, 2001, for the MAPAQ

heavily on transportation. Although no particular recommendations regarding food miles have been published by organic certifying bodies, the Quebec organic sector may very well take position on this issue.

2.2. Current market situation

In a general manner, Dimitri and Oberholtzer (2005) offer a good description of l how the organic market was mostly supply-driven until the 1990s, and then how demand increased and became the main driver of market growth.

There is still no reliable means of evaluating the total organic meat market in Quebec and in Canada. Today, sales of organic products (all types of products) are estimated at approximately 1 to 2% of food sales in Quebec (Salha and Robitaille, 2005). This figure also represents the approximate percentage of shelf exposure given to organic products in supermarkets (Jean-Claude Dufour, personal communication, October 13, 2006). As for the share of meat products within the organic food market – which is also very difficult to estimate – it is currently approximately 1% (Théroux, 2005). Among all types of organic foods on the market, those that are most commonly sold are fruits and vegetables, beverages, certain grain products (bread, bakery products and cold breakfast cereal), as well as certain dairy products (see, in particular, Whole Foods Market, 2005 and Lockie et al., 2006).

Équiterre, in a survey conducted in 2003 following a promotion and awareness campaign, reported that the "percentage of respondents who, in the past, have purchased organic products has increased from 50% in 2001 to 60% in 2003" (i.e., after their awareness campaign). Furthermore, a recent CROP survey done for the "Moniteur alimentaire" showed that "1 Quebecker in 10 consumes organic products on a regular basis, and 1 in 4, from time to time" (Barbe, 2005). The interviews conducted by ÉcoRessources confirm that some consumers are habitual buyers and quite loyal to the sector.

These results are similar to those observed in the United-States and in Europe where 95% of all organic products are sold (Dimitri and Oberholtzer, 2005; Willer and Yussefi, 2006). The most recent annual survey commissioned by Whole Foods Market, based on a questionnaire sent to 1,000 Americans, showed that organic foods have gained in popularity compared to the prior year (Whole Foods Market, 2005). The survey also indicates that almost 2 out of 3 Americans (65%) consumed organic foods or beverages in 2005, compared to 54% in 2004 and 2003. Furthermore, a little over one-fourth of respondents (27%) claimed they ate more organic foods than during the prior year. Finally, 10% of respondents said they consumed organic foods or beverages several times a week, which represents a 3% increase compared to the year before.

The stakeholders surveyed here in Quebec in the course of our study do not exhibit the same optimism. According to them, the growth in demand for organic foods has started to slow this year. This slowdown is mainly due to competition, which is getting stronger, but also to a certain waning of buyer interest.

2.3. Growth outlook

Very few stakeholders will deny that the organic food market is actually growing. However, there are certain differences of opinion when it comes to evaluating this growth, given the lack of reliable data on the year-over-year growth of the Canadian organic market.

The previously mentioned dissatisfaction expressed by producers with the way in which their products are marketed is undoubtedly aggravated by the high expectations of producers who were counting on an average annual growth of 20% for their sector. These figures have led producers to believe that they would have no difficulty finding outlet opportunities for their products and that marketing was not something they needed to worry about. Today, the time they have to spend on marketing and the difficulties they have encountered in this area constitute somewhat of a brutal wake-up call for some producers. Recently, Deglise (2006) wrote in "Le Devoir" that the actual growth in demand for organic products was not around 15-20% this year, as some have contended, but rather around 5-7%.

2.4. Niche markets or mass markets?

A niche market can usually be identified by three, interrelated characteristics:

- Distinctive nature of the products;
- Selective demand;
- Response to one or several specific market segments.

A niche product stands out from other products because of one or several of its characteristics. This distinction is two-fold as it can be either authentic, verifiable, even certified – as is the case with organic meats – or simply due to an advertising initiative, in which case the product has no real distinctive attribute. This is, in fact, the issue that many governments were addressing in the 1990s and early 2000s when they adopted regulations to protect the organic label and restrict its use to those companies that had received certification based on rigorous specifications.

By definition, selective demand is driven by selective consumers. In other words, consumers who purchase niche products are prepared to make additional efforts to obtain them. This may require, for example, paying a premium or spending more time shopping. This is the case with some consumers who will occasionally travel several kilometres to get to the farm where they purchase products directly from the producer. These efforts can be small or large, depending on the level of distinction/differentiation perceived by the consumer and on the type of effort required and are usually restricted by the quantity of time and money the consumer has to extend.

A niche market is geared towards specific types of consumers, i.e. specific segments of the population. The more specific the segment, the smaller the pool of potential buyers and the potential market for the product. It is important to remember this rule of thumb when working in a niche market. Furthermore, to effectively segment a market, one needs to fully understand the buying patterns of targeted consumers. This means understanding who buys what, when, where, why, in what conditions and at what price, in order to make one's products available to the right consumers, and to communicate effectively with these consumers.

Mainly because of market segmentation, niche products rarely account for more than 5 to 10% of the markets on which they are offered. A quick look at European markets for organic products corroborates this figure. For example, organic products occupy at most 5% of the market, which at this point is starting to show signs of maturing (oversupply, downward pressure on prices, levelling-off or even decline in demand, etc.)

In Switzerland, for example, where people are among the largest consumers of organic products in Europe, the average amount spent on organic products in 2005 per person was approximately $150 (Mirza, 2006), which is almost three times more than the European average (15 countries) of $52 in 2004 (based on calculations done by ÉcoRessources with data provided by Willer and Yussefi, 2006). In 2005, sales of organic products represented 3% of the Swiss food market, a 0.5% decline compared to the prior year (Mirza 2006).

The fact that niche markets are small does not mean, however, that they should be ignored. More and more, large agri-food corporations (Danone, Wal-Mart, etc.) are entering into niche markets in response mainly to the fractioning and individualization of buying habits.

Certain stakeholders and observers maintain that there is room for both niche and mass markets. Such a claim however needs to be analyzed and its implications should be studied closely as they pertain to the Quebec organic meat industry. By observing the Quebec agri-food sectors, it is possible to uncover certain enlightening examples. In the strawberry sector, for example, the supply is abundant during the summer period and markets are saturated. Prices are at their lowest and, consequently, profit margins are at best very low and often nil. This is why some producers are trying to differentiate themselves by producing strawberries that mature earlier in the summer or later in the fall, in other words, when good quality strawberries are not so abundant. It is at that time that producers achieve a profit, thanks to motivated buyers who are willing to pay more since sales prices are higher. When targeting mass-markets, profits are difficult to achieve and the situation quickly causes the niche market to disappear.

The marketing of maple syrup is another interesting example. In Quebec, maple syrup is traditionally marketed and sold to consumers in 540-ml cans. This type of packaging does not allow producers to add value to their product. Several attempts to market maple syrup in more elaborate containers have been made to try to increase profit margins. However, these attempts did not garner the expected results with local consumers because the 540-ml tin cans are still widely available.

There simply does not seem to be a middle road in this particular area. The organic meat market continues to evolve like a niche market: the percentage of people who purchase organic products on a regular basis, the percentage of organic foods in the total food expenditures and the buying habits of consumers all confirm this. In short, organic meat is not for everyone, but for a specific segment of the population. It is important that this segment be adequately identified to ensure better exposure.

2.5. Profile of consumers

In marketing, it is of the utmost importance to know the buyer of the product being marketed in order to develop an appropriate marketing strategy. An effective marketing campaign should be based, among other things, on a detailed study of targeted consumers.

2.5.1. Reasons for buying; reasons for not buying

According to Dimitri and Oberholtzer (2005), the main reasons given for purchasing organic products generally relate more to personal factors such as taste and health than social or altruistic factors such as the quality of the environment. Even Europeans who, until recently, differentiated themselves from other consumers by the importance they attached to factors such as quality, protection of the environment and animal welfare, are slowly adopting a profile closer to that of American consumers and now attach more importance to personal factors. It is interesting to note that, according to Barry (2004), whose observations have been reported by Dimitri and Oberholtzer (2005), this change took place in the 1980s in the United-States.

TABLE 3 – REASONS GIVEN FOR BUYING ORGANIC FOODS

Reference	Paré (2002)	Whole Foods Market (2005)	Hartman Group (2004)[4]	Lockie et al. (2006)
Region	**Quebec**	**United-States**	**United-States**	**Undifferentiated**
Reasons given, by order of importance	1. Personal health or children's health	1. Avoidance of pesticides	1. Health and nutrition	1. Health
	2. Curiosity	2. Freshness	2. Taste	2. Environment
	3. Quality	3. Health and nutrition	3. Food safety	3. Taste
	4. Avoidance of chemical fertilizers	4. Avoidance of GMOs	4. Environment	4. Animal welfare
				5. Less processing
				6. Interest in novelty
				7. Current trend

Sources: Paré (2002), Whole Foods Market (2005), Dimitri and Oberholtzer (2005) and Lockie et al. (2006)

Respondents in the surveys conducted in the course of our study corroborate the findings of Dimitri and Oberholtzer (2005) and maintain that animal diseases (mad cow disease, avian flu, etc.) and shocking news stories on rearing conditions, for example, also have a positive, but short-lived effect.

Among the reasons given for not buying organic foods, the most prevailing are the high prices and limited availability of organic products. Most of the other reasons given – ignorance of the existence of the product, small difference in quality, lack of information on the nature of organic products, doubts regarding the integrity of organic certification – point to the confusion or lack of knowledge within the population regarding organic certification. Other, less important reasons include loyalty towards specific, non-organic brands, unsatisfactory appearance of organic products and satisfaction with conventional foods. Unfortunately, it is impossible to outline the reasons for buying and for not buying organic meats based on the information currently available.

[4] In Dimitri and Oberholtzer (2005)

TABLE 4 – MAIN REASONS GIVEN FOR NOT BUYING ORGANIC FOODS

Reference	**Paré (2002)**	**Whole Foods Market (2005)**	**Dabbert et al. (2004)**[5]	**Lockie et al. (2006)**
Region	**Quebec**	**United-States**	**Europe**	**Undifferentiated**
Reasons given, by order of importance	1. Does not know/has never tried the product	1. High prices	1. High prices	1. High prices
	2. High prices	2. Availability	2. Limited distribution of the products	2. Limited availability
	3. Not interested in organic or satisfied with conventional products	3. Loyalty towards conventional brands	3. Little evidence of difference in quality	3. Scepticism regarding organic claims
	4. Does not believe organic products have better quality		4. Lack of information on the nature of organic products	4. Appearance
	5. Availability		5. Doubts regarding integrity of organic products supply chain	5. Non-awareness of organic certification
				6. Satisfaction with conventional products

Sources: Paré (2002), Whole Foods Market (2005) and Dimitri and Oberholtzer (2005)

2.5.2. *Profile of organic food consumers in Quebec*

Several surveys conducted in Quebec, the United-States and Europe have demonstrated that consumers of organic products generally have a higher-than-average education, have children and have a higher-than-average income (Salha and Robitaille, 2005; Paré, 2002). Women are also more inclined to purchase organic products than men. Baby-boomers, who generally have more money and are preoccupied with their health, as well as young adults who are sensitive to environmental and ethical issues (Salha and Robitaille, 2005; Paré, 2002), are bigger consumers of organic products.

According to Lockie et al. (2006), there are three categories of organic product consumers: (1) frequent buyers who are therefore the most selective and motivated; (2) occasional buyers who can be labelled as “curious”; and (3) indifferent or uninterested buyers. The percentage each of these groups occupies within the population, as well as their buying habits and motivations could be used to establish certain marketing orientations.

[5] In Dimitri and Oberholtzer (2005)

Frequent buyers are those who believe the most in the benefits of organic products. In Quebec, a CROP survey showed that one Quebecker in ten eats organic products on a regular basis (Barbe, 2005) and, therefore, can be included in this category[6]. Furthermore, these consumers attach more importance to the "natural" aspect of the item and to the fact that their food does not travel long distances to get to them. According to Lockie et al. (2006), despite the fact that they have little time to shop for and prepare meals, they are willing to actively search for organic foods, even if this means changing their shopping habits. Unlike the rest of the population, buyers in this category are quite determined and consequently more open to alternative means of shopping for food. For example, they shop more frequently at farmers' markets, they purchase more products directly from the farm, they partake more often in buying groups, etc. (Lockie et al., 2006).

The second category, which is larger, is made up of approximately 25% of the Quebec population[7]. Buyers in this particular category will allot a smaller portion of their food budget to organic products, but still show some interest in organic. Occasional buyers are much more sensitive to price and availability of foods. According to Lockie et al. (2006), there are four factors that can boost sales with these buyers who are less motivated to purchase organic: price, visibility, organic labelling and availability. Furthermore, these buyers may be somewhat sensitive to messages outlining explicitly the benefits of purchasing organic foods (Lockie et al., 2006).

As mentioned by Daniel Dubé, Development Director at Sobeys Quebec, in Bérubé (2005): "Traditional consumers don't switch to organic overnight. They start by changing their milk, their bread, their yoghurt. They start with staple foods." This reasoning leads to the conclusion that the individuals in this category are usually more tempted by "entry level" organic foods such as fruits and vegetables, dairy products, cold breakfast cereal, etc. In fact, those products are the most popular with buyers at Whole Foods Market (Whole Foods Market, 2005) and in France (Agence Bio, 2006). In other words, consumers in this category will occasionally substitute conventional products for equivalent organic products but will not make a habit of it. Their motivation for buying organic foods is mostly curiosity.

The third category is that of consumers who buy organic only occasionally. More than half of the Quebec population can be included in this category. These buyers are not easily convinced to buy elsewhere than in a traditional marketing outlet (supermarket, restaurant, etc.). To reach consumers in this category, who can be

[6] These figures vary in time and from one country to another. In the United-States, for example, Whole Foods Market (2005) reports that the percentage of people who consume organic products several times a week has gone from 7% in 2004 to 10% in 2005. In France, this figure has increased from 17 to 24% in two years, i.e. from 2003 to 2005 (Agence Bio, 2006). According to The Organic Monitor, cited in Paquin (2005), 40% of Swedes consume organic products on a regular basis.

[7] Based on results of the CROP survey referenced by Barbe (2005).

described as lacking interest in organic products, there are two factors that should be considered closely: similar pricing to that of the conventional counterpart and availability in supermarkets and popular restaurants (Lockie et al., 2006).

2.5.3. Profile of organic meat consumers in Quebec

Do the profile and buying patterns of organic meat consumers in Quebec differ from that of organic food consumers? The available literature is not very explicit on the subject, but it may be possible to answer this question by establishing certain correlations between the available documentation (from which the above outlined findings were taken) and certain observable habits. It would seem that organic meat consumers are different from organic food consumers. This conclusion is of the utmost importance because it is the foundation on which is based the rest of our analysis and the recommendations set fourth in this report and, ultimately, the development strategy and vision we recommend be adopted by the sector.

There are several reasons why we believe Quebec organic meat cannot create a loyal following in consumers from the second category (i.e., “curious” buyers), particularly in the short term. The first reason is the fact that buying meat implies a significant choice because, on the one hand, the cost of this meat (and this is also true for conventional meats) easily represents half the total cost of the meal, and also because the piece of meat selected by the consumer will define the entire meal. Add to this the price premium of organic meats, which can sometimes add up to over 50%, and it is easy to understand that such a purchase requires a highly motivated buyer.

This analysis is supported by the fact that organic meats are virtually absent from mass distribution channels. This is not to say that large supermarket chains do not offer organic meats: several people have mentioned, during our interviews, that various types of organic meats are sometimes offered by large Quebec supermarket chains, but that consumer response is lukewarm.

It also seems that the organic meat consumer has certain expectations in terms of quality. Those consumers who are willing to pay more for an organic product expect high quality in return. This was often mentioned during our interviews, as well as by several speakers at the FABQ exchange and information seminar on marketing organic products held in Drummondville, in November 2006. In other words, organic certification is not sufficient to satisfy organic meat consumers: the products themselves also have to be superior in quality. McEachern and Willock (2004) confirmed this when they described the three main elements of organic meat consumer preferences in the United Kingdom: the natural aspect of a product, the quality standards and the assurance of quality.

In short, it seems that the primary clientele for organic meats is made up mostly of two rather distinct groups. The first group consists of parents of young children: they are more aware of social issues and have chosen to eat well, regardless of their income. Their primary motivations for purchasing organic meats lie in ethical and environmental matters. The second group is made up of "foodies": those consumers who are interested in quality foods. Consequently, it would appear that availability and prices are not significant hurdles for consumers within the two groups described above. Product quality and authenticity, as well as consumer trust are probably the most important drivers.

From a geographical point of view, Montreal and some of its wealthier suburbs such as Mont-Tremblant make up, by far, the largest market for certified organic meats. The Sherbrooke, Gatineau and Quebec City metropolitan areas are also important markets. All the signs indicate that consumers outside of these areas are not receptive to organic products in general, let alone organic meats.

2.6. Insufficient product differentiation

It is obvious that, when making a purchase decision, the consumer who does not differentiate between two products will not select the most expensive. Conversely, those consumers who are familiar with organic products and understand what makes them different from their conventional counterparts will buy them more freely. The results of a study conducted by Whole Foods Market (2005) perfectly illustrate this and established a correlation between consumer perceptions and buying patterns. For example, the following can be said of consumers who purchase organic foods and beverages on a regular basis:

- Close to 75% of these consumers believe that organic foods have a higher nutritional value than conventional foods (compared to less than one-third of non-organic consumers);
- Close to 90% believe organic foods are better for them than conventional foods (compared to a little over 50% of non-organic consumers);
- 82% believe organic production systems are less damaging to the environment than conventional systems (compared to approximately one-third of non-organic consumers);
- 85.7% believe that the quality of organic foods is higher than that of conventional foods (compared to 40% of non-organic consumers).

There are several signs indicating that there is still considerable confusion, with regards to production systems and certified organic products, among consumers and the various stakeholders such as meat packers, butchers, supermarkets, government agencies, marketing organizations, etc. This confusion is multi-faceted and pertains, for example, to production techniques and certification credibility.

The confusion among consumers is presumably the type of confusion that has the most impact on demand growth in the short term. This has been an issue for several years, and the matter has been addressed in the FABC 2003 Strategic Plan, in the Groupe Agéco report on organic products identification in Quebec (2004) as well as in public consultations held by Option Consommateurs in 2004. Équiterre also supported a promotion/awareness program geared towards Quebec consumers and documented the results in a report (Équiterre, 2003). Two surveys conducted by CROP before and after the "Moi, j'mange bio" campaign, which lasted two years, from 2001 to 2003, concluded that: "in 2003, 64% of respondents were capable of providing a reasonably adequate definition of organic agriculture, compared to 48% in 2001."

Organic farmers and other stakeholders involved in marketing organic meats have, repeatedly, commented on the confusion among consumers regarding organic products. Comments such as: "People can't tell the difference"; "Consumers are not willing to pay more for organic meat" or "Organic meats are much more expensive than conventional meats" are not infrequent. These comments can explain two distinct phenomena. Firstly, some people do not distinguish between organic and conventional. They simply choose the cheaper of two products that, for them, hold no difference. It is also possible that consumers are aware of the differences between these products, or at least some of the differences, but consider that these differences do not justify the price variation.

Furthermore, it appears that competition from other types of differentiated meats is fuelled by the notoriety and reputation of organic meats, and more importantly, by confusion among consumers with regards to the organic label. One can even assume that this confusion is maintained partly by the competition between organic and other types of differentiated meats. Some producers and distributors will even go so far as to say that their differentiated product is "organic, but not certified", "almost organic" or even "just like organic, only cheaper".

For example, Whole Foods Market, a large retailer specialized in organic products in the United-States, offers both organic meats and what they call "natural" meats to their customers. This retailer also creates ambiguity about this distinction in certain communications (see Whole Foods Market, 2006) by referring to, for example, their customers' demand for "certification of organic and natural standards". The use of both words ("organic" and “natural”) in close association is also quite frequent in Quebec. This seems to strike a chord in all consumers, even the more selective, and apparently has a negative impact on their motivation.

The conclusions gathered after our interviews indicate that most people are unaware, and occasionally even critical, of some of the specific practices adopted by the organic industry. For example, consumers (as well as several stakeholders in the agri-food business) seem unaware of the fact that the use of the organic label is regulated, that it is subject to rigorous requirements and inspections conducted by independent third parties, that Quebec law prohibits its falsification and that international standards were used as a canvas for the Quebec legislation.

The word “organic” is often used as a dubious means of adding value to an otherwise ordinary product. This may by quite detrimental in the long and medium term because the development of the organic meat industry should benefit from the support of stakeholders who are responsible for marketing and promoting agri-food products, educating consumers regarding production methods, developing support programs, establishing regulations and legislation, etc.

2.7. Conclusion

Although estimations are approximate, it appears that organic meats actually hold at most 1% of the organic food market, which in turn holds 1 to 2% of the entire food market in Quebec. Consequently, only a limited number of consumers in Quebec value organic meats for what they are. The demand for organic meat is mostly observed in the Montreal area and other cities. Consumers exhibiting the highest motivation for purchasing organic meats are parents of young children who are sensitive to the ethical and environmental issues at stake, as well as consumers who prefer high quality meats.

At the same time, it seems that the consumers who have the most motivation for purchasing organic products are those who are aware of their inherent characteristics. However, most people do not recognize the distinctive characteristics of an organic product. The credibility of the organic label is challenged both by the population at large and by stakeholders in the agricultural industry. This is somewhat disquieting because organic meat consumers attach considerable value to the quality standards and guarantee that should be associated with organic meats.

3. SUPPLY

In order to study the supply of organic meats, we must evaluate the number of producers in each sector and establish their geographical distribution, then determine the quantity of meat produced in each sector and each region.

3.1. Number of producers and geographical distribution

Table 5 below outlines the number of livestock producers licensed as of October 27, 2006, as well as their geographical distribution. At that date, there were 154 licensed farms. With the exception of dairy and egg-producing farms (where organic meat is also produced from cull cows and spent layers), 82 of these operations produced various types of meats (beef, pork, goat, sheep, poultry, venison, etc.)

TABLE 5 – NUMBER AND GEOGRAPHICAL DISTRIBUTION OF ORGANIC LIVESTOCK PRODUCERS IN QUEBEC AS OF OCTOBER 27, 2006

Region	Number of licensed farms with at least 1 type of animal production[8]	Number of licensed farms where at least 1 type of meat is produced[9]
Abitibi-Témiscamingue	4	4
Bas-St-Laurent	30	13
Capitale-Nationale	6	4
Centre-du-Québec	21	11
Chaudière-Appalaches	25	5
Eastern Townships	10	6
Gaspésie-Magdalene Islands	4	3
Lanaudière	8	6
Laurentides	7	7
Laval	1	1
Mauricie	8	5
Montérégie	18	12
Nord-du-Québec	1	1
Outaouais	6	4
Saguenay – Lac-St-Jean	5	0
Total	**154**	**82**

Source: Conseil des appellations agroalimentaires du Québec (CAAQ)

[8] Includes meats, eggs and dairy
[9] Meat only: beef, pork, goat, sheep, poultry, venison (total of 18 types of meats)

It may be interesting to examine more closely the type of meat produced by these farmers. The numbers presented above do not necessarily indicate the number of livestock productions because any given farm may produce more than one type of livestock. The average number of organic livestock productions per licensed farm is 1.6. Table 6 below clearly shows that the type of operation more likely to have two or even three types of livestock is "Other poultry" and "Other livestock".

TABLE 6 – GEOGRAPHICAL DISTRIBUTION AND NUMBER OF ORGANIC LIVESTOCK OPERATIONS AS OF OCTOBER 27, 2006

Region[10]	Milk (cow)	Milk (other)[11]	Pork	Beef cattle	Veal	Sheep[12]	Goat[13]	Chicken	Other poultry	Other livestock[14]	Eggs	Total
Abitibi-Témiscamingue	1			3						3		7
Bas-St-Laurent	21		2	7	4	2		2	2		1	41
Capitale-Nationale	2	2	2	2				3	1	1		13
Centre-du-Québec	12	1	4	8	2	2		3	5	1	2	40
Chaudière-Appalaches	17			2	1	1		1			3	25
Eastern Townships	3			3	1			2			1	10
Gaspésie-Magdalene Islands	1			3								4
Lanaudière	1	1		2			1	3	10	1	2	21
Laurentides	2			2	4	2		3	4	1	1	19
Laval								1	2			3
Mauricie	3	1	1	4				2	3		1	15
Montérégie	3	2	2	4	1	4	1	2	1		5	25
Nord-du-Québec				1								1
Outaouais			2	3		1	1	1	2	1	2	13
Saguenay – Lac-St-Jean	5											5
Total	**71**	**7**	**13**	**44**	**13**	**12**	**3**	**23**	**30**	**8**	**18**	**242**

Source: Conseil des appellations agroalimentaires du Québec (CAAQ)

As of October 27, 2006, there were 154 organic livestock farmers. Close to 50% (71) of these were involved in the production of organic cow's milk and more than 25% (43) produced organic beef cattle. Based on the

[10] As of October 27, 2006, there were no licensed livestock operations in the Montreal and Côte-Nord regions; these regions are therefore not presented in this Table.
[11] Goat and sheep milk
[12] Lamb and mutton (excludes milk)
[13] Excludes milk
[14] Farmed game animals (deer, boar and/or bison), rabbits and ostriches

number of operations, beef is the most widespread type of organic meat production in Quebec. Although meat is not the primary type of production in dairy operations, dairy farms do produce cull cows, and this can have an impact on the total quantity of organic meat on the market, especially given the relatively high percentage of dairy farms within Quebec organic livestock operations.

The number of farms with other types of production is much lower. Based on the number of operations, the "Other poultry" category is third, although it should be noted that farmers producing other types of poultry usually have several species (geese, ducks, pheasant, etc.) on their farm, which results in those operations being counted twice or more often.

From a geographical point of view, the Bas-St-Laurent and Centre-du-Québec regions are those where there are the most organic livestock operations (40 productions in each region) as of October 27, 2006. The Montérégie and Chaudière-Appalaches regions come in second with 25 operations each. In Quebec, organic meat production is fragmented because few regions have a critical mass in terms of producers.

Macey (2005) evaluated the number of organic meat producers in Quebec to be 135 in 2004. Unfortunately, the data recently published by Macey (2006) for 2005 are incomplete for the province of Quebec and, consequently, cannot be used in our study. There has been an increase of 19 licensed operations (including dairy farms) over close to two years, which represents an average increase of approximately 7% per year.

From the interviews conducted in the course of our study, we concluded that the number of Quebec farmers will increase slightly in the near future. Dairy production, a market with stable and interesting market opportunities, seems to be enjoying the fastest growth, thanks to the premium that was recently renegotiated for milk and the project under way designed to allow the inclusion of organic cull cows in the marketing agreement for cull cows adopted by the Fédération des producteurs de bovins du Québec (FPBQ). It is expected that 5 to 10 new farmers will set up shop each year in this sector[15], which represents an increase of 7 to 14% per year.

Assuming the number of organic meat producers continues to grow at the steady rate of 7% each year – a realistic assumption – the number of producers will double in approximately 10 years. Given the current context of rural depopulation, the complexity of establishing a new farm operation and the dwindling number of farms, this growth seems promising for the agricultural sector. However, because the organic meat sector

[15] Gilbert Halde, president of the Syndicat des producteurs de lait biologique du Québec, (personal communication on May 15, 2006).

holds such a small market share compared to conventional agricultural products, this growth will not translate into a significant increase in the number of organic meat producers. Compared to conventional livestock operations, the number of organic meat producers remains marginal. Together, organic beef cattle, pork, lamb and milk represent 1% of the total number of conventional operations in Quebec[16]. With regards to organic chicken, the 23 organic operations represent close to 3% of the total number of conventional operations (800) that are member of the Fédération. However, the majority of organic chicken producers don't have a quota and therefore produce a very limited quantity of meat.

3.2. Production volumes

The most accurate and up-to-date information we have on production volumes today is the data provided by Macey (2005) based on information provided by certification bodies and the CAAQ. Table 7 below presents a summary of this information.

TABLE 7 – NUMBER OF HEADS IN EACH TYPE OF ORGANIC LIVESTOCK PRODUCTION IN QUEBEC IN 2004

Type of animal	Number of heads	Number of organic farms	Average annual level of production of organic farms
Laying hens	35,532	15	2,369
Broiler chickens	97,885	19	5,152
Turkeys	723	6	121
Ducks	1,425	2	713
Geese	100	1	100
Ostriches	80	1	80
Guinea fowls	500	1	500
Beef cattle	1,696	35	48
Dairy cows	3,497	59	59
Lamb	2,073	10	207
Dairy goats	496	8	62
Hogs and boars	4,771	14	341
Bison	775	1	775

Source: Macey (2005)

[16] Total number of conventional operations obtained from the UPA Web site (www.upa.qc.ca/fra/agriculture/productions_diversifiees/production_1.asp) or from Statistics Canada. Rounded numbers are mostly from the year 2004.

3.2.1 Anticipated growth in production volumes

Each year, some operations come into the sector and some operations leave the sector. Given the limited number of farmers who produce a large variety of organic meats and the fact that production levels vary considerably from one farm to another, such movement can create noticeable variations in the volume of meat produced year over year.

Unfortunately, there are no accurate data regarding the growth in production volumes. Nevertheless, based on the interviews conducted in the course of our study, we anticipate that farmers will continue to see their production volumes increase. Some farmers have said that they wish to process their meat on the farm, which would add value to their current production. For most categories, it is realistic to anticipate a growth in production volumes of approximately 8 to 10% per year, which is similar to or slightly higher than the anticipated increase in the number of organic farmers. At this rate, the production is expected to double in less than 10 years.

3.2.2. Problems arising from production volumes

In the course of our interviews, we also discovered that the beef cattle industry is facing an important challenge with regards to concentration and production timing. All operations are cow-calf farms (none of them have specialized in finishing organic steers) and market their meat mostly in the fall. This can have considerable impact on factors such as the availability of fresh-cut meat during the rest of the year, particularly during periods of higher consumer demand.

3.3. Quality

The definition of quality is closely related to the idea of consumer satisfaction but goes far beyond material, but still important, criteria such as cut, cooking, taste, uniformity and the delicate balance between marbling and tenderness. Several of these factors depend on breeding methods (race, genetic background, feed, growth rate, age and weight at slaughter, etc.) and the competence of professionals involved in processing the products. The definition of quality also includes a series of sometimes intangible and often subjective (and therefore widely varying from one consumer to the next) factors related for instance to one’s sensitivity regarding animal welfare, the existence or absence of a certification/traceability mechanism, the place of origin, the size of the farm and the overall meal experience (atmosphere, company, etc.) Other, more practical factors such as packaging, size of the pieces, delivery lead time and quantities available also have an impact on the quality of the supply and vary not only among buyers but also across the various types of buyers (consumers, butchers, large retailers, etc.)

The various stakeholders do not agree on the quality of products offered on the market. Some feel that the quality has improved considerably in recent years, while others are less enthusiastic and say that Quebec producers have a lot of work to do to reach the level of quality expected by consumers of high-end products.

There are multiple reasons for this difference of opinion. One of these is the fact that feeding and breeding methods can vary considerably from one farm to another (growth rate, age at slaughter, etc.) Some of the people we interviewed also outlined the lack of technical references related to most organic livestock productions. Another determining factor for quality is the cutting operation, which is critical, but often overlooked.

Butchers are an integral part of the marketing process of organic meats and must contend with another challenge: the small size of organic animal carcasses. The Agéco Groupe (2006) has documented the fact that organic producers have their animals slaughtered when they are half-finished. However, for the butcher who needs to maximize returns, it is more difficult to turn a profit from a smaller carcass.

Consequently, the creation of a “virtuous circle” of sorts is possible if all stakeholders in a particular channel decide to engage in the pursuit of quality. Better quality products seem to facilitate every step of the process. Consumers are more willing to buy a meat product that meets their expectations; other stakeholders (meat packers, butchers, retailers, etc.) are more willing to be associated with or at least work in a channel where the product turnover rate is good and where professionalism is the expected norm. Such an attitude will in turn generate quality and, more importantly, availability, which will help increase demand, and so forth.

3.4 Production costs

Certain factors can reduce the costs associated with producing organic meats, compared to those associated with the production of conventional meats. For example, because certain expensive products are prohibited under organic management and because farmers try to prevent disease before they occur and rely more on self-produced feed for their animals, production costs under organic management can be reduced.

However, it is also acknowledged that producing organic meat is more costly than producing conventional meat. The cost difference can be significant and stems from various factors such as longer growth and finishing periods, lower livestock density[17], as well as the higher price of organic inputs (such as feed) compared to that of their conventional counterparts[18]. Certain of these issues have been outlined in a recent study conducted by the Agéco Groupe for the SPVBQ. The latter factor is more significant for producers of monogastric livestock (e.g., poultry, hogs) who provide grain-based rations to their animals than for producers of ruminants (cattle, sheep, goats) who, for the most part, grow most of the forages consumed by their animals.

The corrective measures applied in recent years in response to sanitary or environmental threats also had an impact on the cost of organic meats and the development of the sector. The question of allowing outside access for animals seems essential since organic standards require animals to be allowed outside their rearing buildings. However, the regulation adopted during the peak period of the avian flu crisis regarding indoor confinement for poultry was an added financial pressure for organic poultry producers. The *Règlement sur les exploitations agricoles* (REA) also places several restrictions regarding outdoor rearing. Furthermore, the moratorium imposed in recent years on hog production, as well as the regulations that preceded and followed, are an impediment to the establishment of new hog production operations, organic and otherwise. Several producers have mentioned that they are worried about additional government initiatives because these will translate into yet more costs.

3.5. Price obtained by producers

When producers need to establish a price for their products, they do so in one of three ways. First, the *Info-Prix* bulletins published by the SPVBQ seem to be of help to several farmers in establishing a price. Another popular method consists in adding a premium (ranging from 15 to 75%)[19] to the price of the same meat produced under conventional farming processes. Other farmers will establish their prices based on an estimation of their production costs, and then add a premium ranging from 30 to 40%. Finally, some farmers will sometimes simply accept the price offered by the buyer. However, buyers (end consumers and butchers) usually pressure farmers into reducing their prices.

[17] Lower livestock density can depend on farm operation specifications or preventive actions such as long rotations in pastures so as to avoid pest proliferation.

[18] In certain cases, for example when there are too few organic producers in a given region, some inputs are unavailable or very expensive.

[19] The premium varies from one farmer to another and from one cut to another and depends on the farmers' evaluations, the demand for their products and the competition. It may by hazardous to estimate the premium as it can also vary based on the level of reference. For example, supermarket prices are subject to variations as each chain has special offers on a regular basis. Supermarket prices are also generally lower than that of specialty shops. The point of origin of the meat may also be a determining factor. In the case of lamb, for example, the MAPAQ (2003) reported considerable price variations based on the point of origin of the meat and its presentation (fresh cut or frozen).

3.6. Competition

Competition is getting stronger as the market for differentiated meats gets organized. This competition materializes in various forms, both in terms of pricing and quality. Descriptive terms such as “natural”, “healthy”, along with geographical names and race names (Angus beef for example) are becoming more widespread, as is the case with various types of farmed game animals. The recent creation of the *Conseil des appellations reserves et des termes valorisants* (CARTV) is an indication that the presence of these products on the market will only increase. Whether these products are associated with particular specifications or not is irrelevant if marketing strategies reach their targets.

Organic meats imported from other provinces and from other countries are also adding pressure on prices. Some producers have gone so far as to say they are worried about newcomers supplying the Quebec organic market. Danielle Breault wrote on this subject in the October 2003 issue of “Bio-Terre” magazine. The popularity, even the mere presence of these products on the Quebec market can create an oversupply of speciality meats.

Organic Monitor (2006) explained how organic meat production is increasing in Latin America and in Oceania, stimulated by strong demand in the UK. Consequently, more and more “generic” organic meats will be presented on the market. Because of the delay (several months) between the time a decision is made to produce any type of meat and the time the production is actually up and going[20] – and other delays due to the transition period –periods of overproduction are inevitable and will undoubtedly cause price fluctuations and price drops for this market in the medium term.

Some of these competitors will distinguish themselves through pricing. For example, imported organic meats and meats labelled “uncertified organic” will be seen by misinformed or uninformed consumers as a suitable alternative to Quebec organic meats with the added advantage of being cheaper. Other competitors will distinguish themselves through quality or specific attributes related to the region where the animals were reared, the race of the animals or other specifications.

[20] This delay period is already well known in conventional systems where it has an enormous impact. It is due, for the most part, to the growth period of animals (short term) and to the development of production capabilities such as reproductive animals and buildings (medium/long term). In organic systems, other factors can increase this delay: the transition period for example, to certified organic production and the growth/finishing period which are consistently longer under organic systems, as compared to conventional systems.

3.7. Conclusion

The supply in organic meat is diversified in terms of production types and availability in various regions of the province of Quebec. However, it is also quite fragmented, both geographically and with regards to specific production sectors. Several observers have commented that the quality of organic meats also varies considerably. Improvements must be made to the quality of the products offered on the market.

In the fall of 2006, there were 154 licensed livestock production operations; 82 of which were specialized in meat. In terms of types of productions, beef and dairy cattle are the most widespread organic livestock productions in Quebec, with respectively 71 and 44 licensed operations. In the majority of livestock sectors, the number of licensed producers is approximately 1% of the total number of producers in the province.

Unfortunately, there are no reliable data available regarding production volumes. Given the expected 7% increase in the number of operations each year in this sector, it seems reasonable to expect the production volumes to increase anywhere between 8 and 10% each year in Quebec.

For the Quebec market, we therefore anticipate that the increase in the supply in organic meat will be slightly higher than the increase in demand. Furthermore, and considering that competition from differentiated meats and imported organic meats will also increase, the obvious conclusion is that organic meat producers in Quebec cannot count on a spontaneous or natural increase in pricing (as was declared in certain newspapers) that would help them cover their production costs which are still higher than those assumed by conventional meat producers.

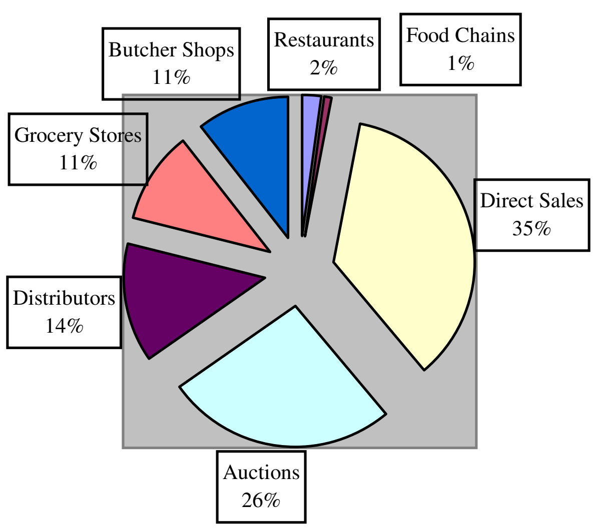
4. MARKETING CHANNELS

Given the fact that production venues are scattered and located far from areas where consumers are concentrated, marketing issues are very important. In order to better understand the situation in this particular sector, one must also understand how supply and demand channels meet and adjust to one another.

The vast majority of producers interviewed in the course of our study sell most of their products directly to their customers, and a more or less significant portion of their products are distributed through specialty retailers. Our interviews also revealed that a significant proportion of organic beef (mostly dairy cattle but some meat cattle also) is oriented towards the conventional market via auction sales. However, given the current situation, animals sold through auctions cannot be upgraded through organic distribution channels.

These findings are similar to those of Hurteau (2004b) who, based on a survey, determined that more than one third (39%) of producers favour direct selling and CSA, and that an almost equal proportion (36%) prefer distributors, groceries, food chains, butcher shops and restaurants.

FIGURE 3 – MARKETING CHANNELS FOR ORGANIC MEAT IN QUEBEC IN 2003



Source: Hurteau (2004b)

These figures however do not highlight the fact that most producers rely on several means of distribution, as they mentioned during the interviews. Also, the fact that 25% of producers rely on auctions is a result of the high percentage of businesses specializing in cattle and dairy productions that distribute only a portion of their production (respectively 55% and 14%) to the organic marketplace.

However, under the terms of an arrangement signed in the fall of 2006 by the *Syndicat des producteurs de lait biologique du Québec*, a specific buyer and the *Fédération des producteurs de bovins du Québec*, certified organic cull beef cattle are being introduced into the Marketing Agreement related to cull beef cattle. This will allow producers to receive a premium over the classification grid applied under the terms of the current Agreement. This arrangement will no doubt make it easier to highlight the added value of organic cull cows.

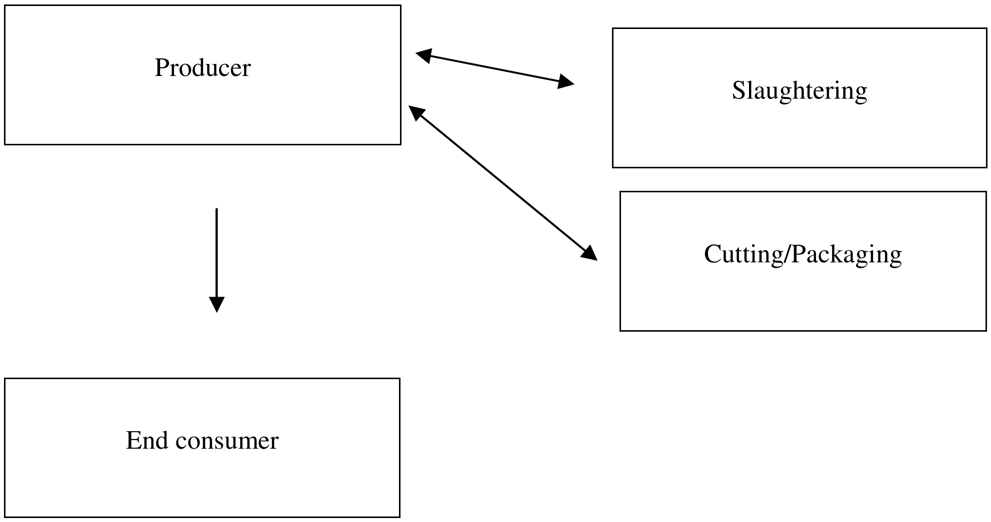
The following pages contain a detailed description of each distribution channel and outline both the advantages and inconveniences associated with each channel from the producers' point of view.

4.1. Direct selling

As we mentioned earlier, direct selling is the most popular means of marketing for organic meat in Quebec. Theoretically, direct selling implies that the producer remains the owner of the meat until it is handed over to the consumer. This exchange usually takes place at the farm. This means that slaughtering and cutting has to be done at a fixed price and that the volumes of meat involved in each transaction are relatively small. Several producers do well with this type of distribution and some even do very well.

In practice, several distribution channels resemble direct selling in that they share the same advantages and inconveniences. Selling through purchasing groups or CSA groups is a variation of direct selling. The CSA network has been coordinated, supported and promoted with success by Équiterre since the end of the 1990s and is mostly associated with organic horticultural fruits and vegetables. There has always been the possibility of introducing meat products in baskets, but this avenue has only started gaining interest in the last two years. Whereas in the past, meat and cheese products were usually included as a "special order", an increasing number of organic meat producers have joined the CSA network and now offer baskets containing a variety of organic meat products. Équiterre has adjusted its communications accordingly and helps integrate organic meat producing farms by associating livestock operations with fruit and vegetable operations that already benefit from strong partner support. This diversification towards organic meat seems to be going well, in general, but development is slow, in part because of the highly perishable nature of meat products.

FIGURE 4 – MARKETING CHANNEL VIA DIRECT SELLING



Source: ÉcoRessources Consultants

Advantages

Direct selling provides several advantages. It undoubtedly is the best way to highlight the social aspect of the transaction because it allows direct contact between producers and consumers. For consumers, direct selling provides the opportunity to visit the farm (when convenient), to stay informed of agricultural issues in the area, etc. For the producer, direct selling is an opportunity to present his or her products and to obtain feedback on consumer preferences and needs, which helps increase customer loyalty.

Direct selling also means more customers, which provides a certain level of stability in farm revenues. The opportunity to reduce marketing fees is also an advantage of direct selling. This is certainly the best way to pocket the profits usually recorded by the middleman.

Inconveniences

This marketing channel is however associated with certain limitations that need to be outlined, the most important of which is the amount of time producers must put in. The advantage of direct selling, with regards to capturing the middleman's profit, is debatable because this channel requires producers to invest a significant amount of time into coordinating (or assuming) slaughtering, cutting and distribution to consumers, as well as arranging transportation and deliveries from one point to another. Billing, labelling, marketing and selling fees are also assumed by the producers, and each of these operations is essential and requires a specific set of skills.

This procurement mode also requires that the consumer invest more time into purchasing groceries, mainly for two reasons. The first reason is that consumers must spend time gathering information on where to purchase organic meats, travel to and from the farm, etc. Given the current situation, where farms are located at a significant distance from metropolitan areas (where large populations are located), this can be an important factor. The second reason is that consumers must be willing to invest time into preparing their meals.

4.2. Licensed butcher shops

Licensed butcher shops[21] are quite rare in Quebec. Excluding cutting facilities established in certain farms, there are less than five licensed butchers in Quebec[22]. As mentioned earlier, a considerable proportion of Quebec organic meat producers still rely on this type of business to sell part of their products. These butcher shops usually buy meat by the quarter directly from the producer, and then cut it themselves in their shops. Some butchers also process some of this meat.

Advantages

Several butchers count on the fact that they have a direct contact with their customers. This type of interaction is important in that it provides information on the customer's needs and preferences and allows the butcher to transfer information to the customer on the products and how they should be prepared. This aspect is particularly important with specialty products such as organic meats. Several people have mentioned during the interviews that the butcher is quite often the best person to promote the products and inform customers. Because they are mostly located in urban areas, butcher shops are an excellent means of penetrating the urban market where most consumers of organic meat are located.

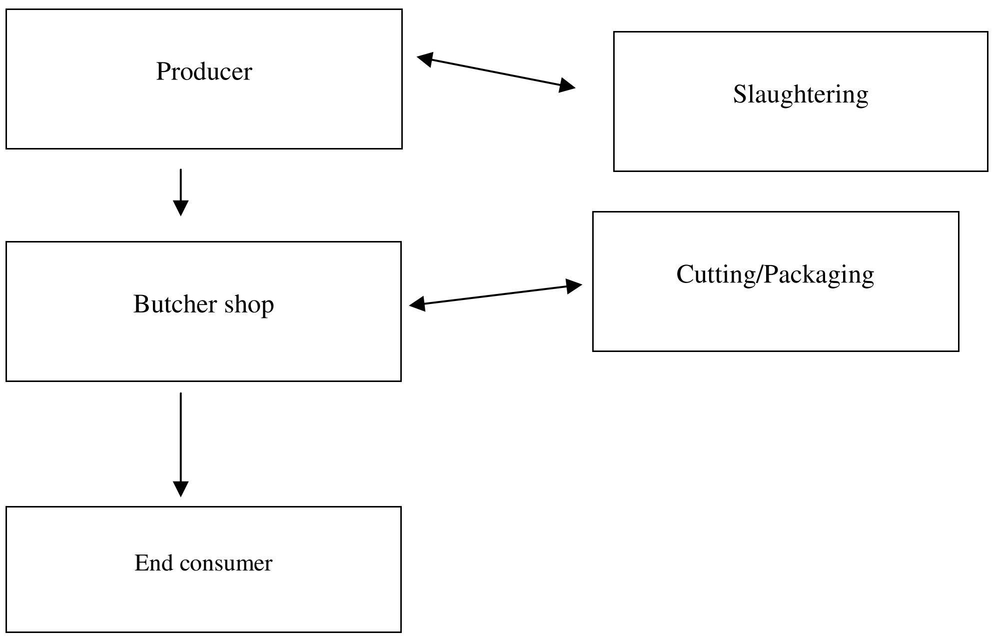
Inconveniences

Selling meat to butchers requires a steady supply in terms of volume, size of carcasses and meat colour. Purchasing criteria from a retail counter are not the same as the criteria used when purchasing directly from the producer. Most Quebec producers seem to have some work to do to satisfy the various quality criteria

[21] Those shops that are licensed to cut and sell certified organic meats.
[22] From the CAAQ's "*Répertoire des produits biologiques certifiés du Québec*", accessed November 24, 2006 [http://modulegp.caaq.org/interroGrandPublicFr.doc.]

applied by butchers, in particular with regards to carcass size. Several people believe that this constitutes the single most important obstacle to having more butchers offer organic meats to their customers.

FIGURE 5 – MARKETING CHANNEL VIA LICENSED BUTCHER SHOPS



Source: ÉcoRessources Consultants

4.3. Food chains

In the province of Quebec, food chains account for most of the activities related to food distribution and retail selling. Furthermore, 75% of all sales registered by Quebec supermarkets are made by three major food chains: Provigo-Loblaw, Metro-A&P and Sobeys-IGA. In 2004, these chains held market shares of 30%, 23% and 22%, respectively, of the Quebec market in this area (Statistics Canada, from MAPAQ, 2006). Table 8 on the following page contains information on these three food chains.

TABLE 8 – BANNERS AND PRIVATE LABELS OWNED BY THE THREE LARGEST FOOD CHAINS IN QUEBEC

Company	Loblaw	Sobeys	Metro
Market share in Quebec (%)	30%	23%	22%
Banners in Quebec	• Loblaw • Maxi • Maxi et cie • Provigo • L'Intermarché • Axep	• IGA • IGA-Extra • Rachelle-Béry • Bonichoix • Tradition	• Metro • Metro-plus • Metro-Richelieu • Super C
Private labels	• President's Choice • PC Organics • no name	• Compliments • Compliments Organic	• Selection • Irresistibles • Super C

Source: MAPAQ (2006); www.metro.ca; www.loblaw.ca; www.sobeys.ca

The larger chains are interested in organics because of the rapid growth in the market share of organic products: Sobeys, for example, recently acquired Rachelle-Béry; Loblaw has its own private brand called "PC Organics"[23]; Wal-Mart, with its Sam's Club brand, is preparing to enter the Quebec market and recently announced its decision to carry organic products (Dorfman, 2006); and Whole Food Markets, a food chain specialized in natural and organic products is tempted by the Quebec market.

The businesses operated under the large chain banners can essentially be divided into two groups: corporate retail outlets that are supplied almost exclusively by their wholesaler, (or their purchasing pool), and affiliated stores that are supplied at approximately 90% by their wholesaler and stock the residual 10% of their shelves as they wish. There are two ways for producers to gain access to a grocer's shelves: (1) by having their products "listed" by one or several purchasing pools to access buyers from corporate retail outlets; and (2) by selling them directly to owners or managers of affiliated stores who stock 10% of their shelves with products they select themselves.

With regards to the way these banners market organic products, the products referenced by wholesalers are mostly aimed towards occasional or curious consumers since they are "entry-level", popular products that are

[23] Théroux (2005) said in an interview to *Journal Les Affaires* that Loblaw was expecting to record 5% of sales from organic products last year.

attractively priced. This strategy is meant to overcome the two most important obstacles to purchasing organic products, i.e., price and availability.

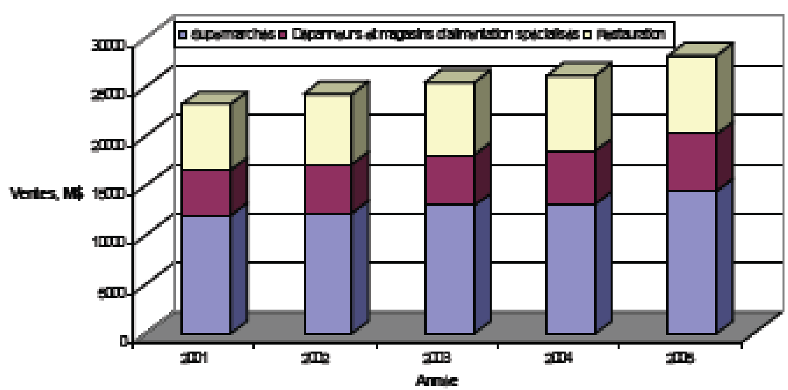
Advantages

Heavy traffic in these stores and easy access for all customers are certainly the main advantages of this type of outlet. Figure 6 on the following page clearly indicates that half of food purchases made by Quebeckers are made in supermarkets. This is also the area that has registered the fastest growth between 2004 and 2005. Supermarkets have seen their sales increase by 11%, compared to 5% for restaurants and specialty retail outlets.

Being listed by a wholesaler can encourage innovation and help improve quality because these customers are usually very demanding. In order to deal with supermarkets or with the wholesalers and distributors that supply supermarkets, producers have to be able to offer a steady supply and large volumes.

Gaining access to wholesalers also broadens suppliers' market because wholesalers usually have pan-Canadian markets. With regards to organic fruits and vegetables, for example, the Symbiosis[24] association has been marketing its products for large-scale distribution for the past few years now, and members seem to be happy with this channel.

FIGURE 6 – CHANGE IN DOMESTIC FOOD DEMAND IN QUEBEC FROM 2001 TO 2005 (IN MILLIONS OF $)



Source: MAPAQ (2006)

[24] Symbiosis is an association of organic fruit and vegetable growers from several regions in the province of Quebec. The association is a voluntary marketing tool created in 1999 to access wholesale markets. Members supply food chains, wholesalers who specialize in organic fruits and vegetables, as well as conventional fruit and vegetable distributors who, more and more, are offering organic produce to their clients.

It is possible for suppliers to have access to shelves in affiliated grocery stores by establishing an agreement with individual grocers. The large food chains have a higher number of affiliated stores in Quebec, compared to the rest of Canada, and these have more flexibility in their supply chain (Poulin, 2006) as opposed to corporate stores which are supplied exclusively through purchasing pools (composed of registered suppliers only). What's more, in situations where demand is strong and supply seems deficient, large distributors will ease their requirements for suppliers. This seems to be the case with meat in certain situations. Because this means of supply is quite different from that of wholesalers and, in many respects, it is closer to independent grocery stores, we will look into it in detail in the following section.

Inconveniences

In the near term, given the rigorous requirements of wholesalers with regards to volume and consistency of supply, it seems unrealistic for Quebec organic meat producers to attempt to be listed by wholesalers from the large food chains present on the Quebec market. Furthermore, none of the retailers operating under the large food chains are licensed to cut organic meats. The offer is therefore limited to pre-packaged products. It also seems Quebec consumers are not very receptive to frozen meat, and this constitutes a significant limitation for wholesalers in their supply activities.

As previously mentioned, wholesalers apply a lot of pressure regarding pricing. A question comes to mind: Is this the kind of message that the Quebec organic meat sector wishes to put out? Also and more importantly: Is there not a risk that the sector will loose its most lucrative market segment?

4.4. Independent grocers and affiliated grocery stores

Generally speaking, the large chains' supply mode has evolved in such a way that smaller agricultural businesses have limited access to shelf space. Yet, the organic market in Quebec is dominated by these large chains. However, there are more independent grocers and affiliated food stores in Quebec, compared to the Ontario market, for example (Poulin, 2006).

Independent grocers have complete control over the product mix they put on their shelves. As for food stores that are affiliated to one of the large chains, they must stock their shelves mostly (90%) through their purchasing pool, but have the flexibility to offer what they choose in the remaining 10% shelf space.

The study conducted by Hurteau (2004b) clearly shows that a significant proportion of organic meat producers in Quebec relied on this marketing channel at the beginning of the decade. Indeed, 10% of producers surveyed said they supplied grocery stores, 13% said they supplied distributors and only 1% supplied food chains. Although this study said nothing with regards to where distributors sold their products, some of them undoubtedly supplied independent or affiliated grocers. In short, close to 25% of producers used this type of channel to sell their products.

Advantages

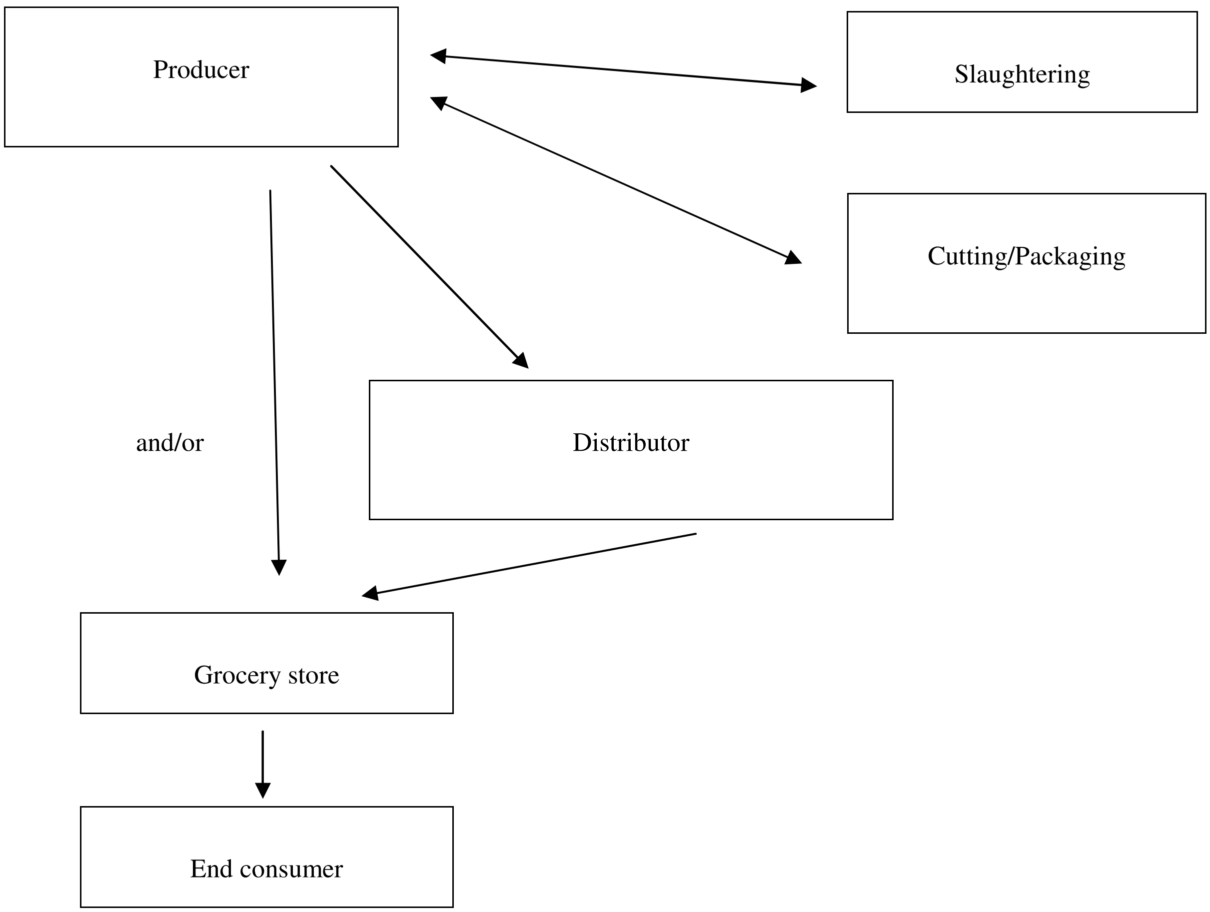
Most food stores, whether independent or operated under one of the major banners, usually have considerable customer traffic. Furthermore, some of these customers are motivated buyers for organic products. Some of these stores are known for their organic food offering and will also propose certain differentiated products such as organic meats.

Inconveniences

In many cases, selling their products to these types of outlets require considerable time and effort for producers. Indeed, each store buys and sells limited volumes and producers often have to take care of coordinating supply operations. This means they have to establish and maintain contact, organize weekly shipments, prepare and follow-up on billing, etc. Because very few retailers are licensed to cut meat and consequently are not permitted to do so, cutting, packaging and labelling must be done by the producer.

Also, because this marketing channel provides no interaction with the end consumer, producers must find other means of communicating with their customers. This usually entails supporting marketing campaigns and following up with retailers to ensure products are attractively displayed in a visible, high traffic area.

FIGURE 7 – MARKETING CHANNEL VIA INDEPENDENT GROCERS AND AFFILIATED GROCERY STORES



Source: ÉcoRessources Consultants

4.5. Food Services

HRI (Hotel, Restaurant and Institutional") food services are an area of potential interest for the Quebec organic meat sector. According to a study conducted by the MAPAQ (2003), it is estimated that the sales in this industry sector reached close to 7 billion dollars in 2000 (see Table 9), which corresponds to approximately 80% of the restaurant subsector.

TABLE 9 – SALES AND NUMBER OF ESTABLISHMENTS IN EACH HRI SUB-SECTOR IN QUEBEC

Sub-sector	Description	Sales (in 2000)	N^{ber} of establishments
Hotels	• Restaurants with lodging • B&Bs • Convention centres • Hotel chains • Independent owners	0.7 billion $	1,960 (55% of total hotels)
Restaurants	• High-end • Family • Popular (theme) • Fast-food • Cantine • Caterer • Licensed beverage establishment	5.8 billion $	17,041 (27.4% are part of a chain; 72.6% are independent)
Institutions	• Health and social services • Education • Prison • Military base • Work place (cafeteria)	0.4 billion $	7,548 (72% are self-administered; 28% are franchises)

Source: MAPAQ (2003)

This market is, however, quite difficult to enter. The stakeholders that we interviewed and who are suppliers for this sector mentioned that the business relationships are relatively stable, once the supplier has demonstrated his ability to meet buyers' criteria. All stakeholders stressed how important the quality of the service is to these buyers who need to be convinced of the benefits of organic meat and who must be able to convince their own customers of the added value of these products. In other words, their clientele must also value this type of meat. A recent study conducted by Richard Guay Marketing (2006) indicated that this is not the case and that the high level of confusion exhibited by end consumers is also noticeable in professional cooks. It seems, however, that among all types of establishments in the HRI sector, it is in high-end restaurants that the most interest in organic meats can be seen (Simard, 2006; Mollé, 2006). Some chefs have even established business relationships with organic producers.

Advantages

The Quebec restaurant sector is different from that of other provinces – like the distribution sector – in that there is a relatively large proportion of independent owners in the total market (Richard Boudreau, MAPAQ, personal communication). This market is diversified and seems to meet the needs of some producers.

Like butchers and producers, chefs are in an ideal position to highlight the value of the products they propose to their clients. Because of the excellent reputation of some of these chefs, it can be helpful for a producer or an agricultural operation to be on their suppliers list.

Inconveniences

At this time, none of the HRI establishments are certified organic. Under the terms of Quebec regulations, it is not possible for hotels, restaurants and institutions to obtain an organic certification. Theoretically, restaurants that purchase organic meat are not allowed to present it to their clients as a value-added, certified organic product.

The HRI sector does present certain potential opportunities, but it remains a heterogeneous and demanding market. Sales outlets, as well as supply modes, are numerous and diversified. Consequently, the requirements are diversified in terms of size and processing stage. Finally, standards are very high, particularly with regards to volumes, quality and consistency. For example, many buyers require HACCP certification.

4.6. Joint plans and marketing channels established by UPA-based specialty federations

In 2003, a study on the strategic development of the Quebec organic sector recommended that the organic meat sector establish a closer relationship with specialty federations and bring certain changes to existing marketing agreements (FABQ, 2003).

These channels each have a specific operating mode. Some are based on agreements signed by producers (represented by the specialty federation) and by one or more buyers. Others comprise a set of regulations governing the various parameters for the exchange of animals and/or carcasses (grading, weight, payment, etc.). Under the terms of the joint plan, these arrangements also provide various levy mechanisms in order to finance certain activities such as the services of a selling agency, promotional activities, research, etc.

The organic dairy sector initially adopted this approach for milk, and more recently for cull beef cattle, and this seems to be going well. In other sectors, where differentiation from conventional equivalents is obviously important, there have been no discussions to date between organic stakeholders and the marketing agents within these federations. Actually, there are provisions in most of the marketing agreements for organic meat products that are designed to help bring to market animals with certain specific characteristics.

Advantages

These channels usually procure some type of payment guarantee to producers. Furthermore, they allow producers to disengage themselves from all marketing activities and thus concentrate their time and efforts on production.

Inconveniences

The greatest threat that could come from bringing changes to marketing agreements and regulations related to UPA-based specialty federations is the "depersonalization" of products and the loss of the important contact between producer and end consumer.

4.7. Conclusion

Our interviews confirm that, overall, the existing marketing channels have undergone little change compared to the picture drawn by Hurteau in 2004. The only exception to this is the recent changes scheduled to be made to the "Convention de mise en marché des animaux de réforme". The marketing channels most frequently used by Quebec organic meat producers and most adapted to highlight the organic certification of their products is direct selling (including CSA and purchasing groups), specialty grocery stores and specialized butcher shops.

It is to be expected that, in the next few years, direct selling will loose some of its relative importance. This trend has been observed in several countries and is stems partly from producers' dissatisfaction with this marketing channel (which has been explained in detail previously), along with the increased interest of various middlemen for this growing economic sector. This phenomenon has created a distance between producers and consumers and imposes certain constraints related to the communication of information. Consequently, producers (and the entire sector) cannot rely exclusively on the interaction with the consumer to develop loyalty. This is why new tools for developing customer loyalty need to be implemented. One set of tools to achieve this is a series of strategies designed to increase customer satisfaction en differentiate Quebec organic meat from the competition (product quality, integrity of certification). It is also necessary to find a way of increasing customer trust regarding organic meat and providing customers with the type of information that is usually conveyed by producers who sell their products directly to end consumers.

5. REVIEW AND RECOMMENDATIONS

Market conditions for organic meat, in terms of supply and demand, are such that producers cannot rely on the natural evolution of the market to gain the price increases they need to cover the added production costs, compared to the conventional sector, and ultimately improve their bottom line.

Given this situation, there are two main solutions that organic meat producers can apply to improve their financial situation: (1) try to take action to facilitate price increases instead of simply hoping for more favourable market conditions; and (2) reduce production costs. An analysis of both alternatives is presented in the following paragraphs.

There are basically two situations that can generate price increases: a reduced supply of organic products or an increase in demand for these products. Aside from a quota system, a reduction in supply will come from tightened organic certification criteria. Practically speaking, quality standards have to be improved.

To generate an increase in demand, there are three main options: (1) improve product quality to make it more attractive, (2) gain a thorough understanding of targeted customer needs and meet them adequately, and (3) put more effort into product promotion. Consequently, these are good arguments in favour of quality improvement on the part of producers.

The second possible strategy consists in trying to reduce production costs. Theoretically, production costs are the result of individual decisions. Producers therefore have an individual responsibility to improve their situation by cutting expenses. However, under organic management, high production costs can result from mandatory requirements. Lowering these requirements for the only purpose of reducing production costs would have an impact both on product authenticity and quality. There may be some improvements to be made aside from mandatory requirements, in particular with regards to marketing costs.

Another way to reduce production costs is for the government to implement a program whereby producers would be compensated for services rendered to society as a result of adopting a production system that is less detrimental to the environment. The added costs associated with these environmental benefits would therefore be assumed by all.

Also, whether the objective is to reduce production costs, improve product quality or ensure better promotion activities, producers need to get organized and work together on certain aspects of common problems.

After analyzing the situation, we concluded that producers and all other stakeholders in the organic meat industry must adopt a vision based on the unique set of distinctive characteristics of organic meats. In practical terms, this means that the products developed and adequately marketed must have the following indissoluble, distinctive characteristics: (1) sound production techniques, (2) credible certification based on regular inspections conducted by independent third parties, and (3) impeccable quality to ensure customer satisfaction. A communication strategy should also be created to communicate these facts to the consumer. This will allow the sector to consolidate, develop and retain its existing client base, which is made up of consumers who are already aware of the benefits of Quebec organic meats.

Distribution should also be improved, but only in a targeted manner, in order to reach selective customers. In the near term, it may be tempting to concentrate organized efforts on reaching the mass market, but this will only make the sector loose its competitiveness (regarding prices and quality), because the competition will outperform the organic meat sector on all fronts. This will only bring them back to square one, in other words the same situation as the one they are in now where the market seems stagnant and unwilling to adequately compensate production efforts. This avenue could also result in added distance between producers and their targeted market segments that make up the largest proportion of organic meat consumers.

The proposed vision remains simple and is not designed to position the organic meat sector in a defensive position vs. the competition’s strategy. This vision will align more closely the sector’s strategy with the fundamentals and values that constitute the basis of organic production. Given the current difficulties the sector is facing, organic meat producers must build on the distinctive characteristics of their products rather than try to minimize their uniqueness, which would result in a compromise in terms of quality and pricing. Organic agriculture was created on bold and innovative decisions and is based on strong values. At least some part of the population has understood the message and believes in the product. It is important to continue to serve these market segments and avoid disappointing these customers, especially during this critical phase in the development of the sector.

5.1. Assets, limitations, risks and opportunities

Our analysis has brought out the following assets, limitations, risks and opportunities.

5.1.1. Assets

The most valuable asset for the organic meat sector is the existence of a selective clientele. The sector can count on a client base made up of consumers who are willing to travel greater distances and pay more money for organic meats. Furthermore, established producers often have a larger and relatively diversified client base, which helps stabilize revenues.

Moreover, the sector has developed sound production methods, adherence to which by individual producers is certified through regular inspections conducted by independent organizations. Mandatory requirements for organic livestock production include certain elements that differentiate the products from their conventional counterparts. These elements pertain to environmental, ethical and other aspects of production that very few other types of production have adopted in such a comprehensive manner. However, two conditions must be met in order for products to be differentiated: (1) consumers must value these differences, and (2) consumers must acknowledge the existence of these differences.

5.1.2. Limitations

The sector has to struggle to convey to consumers the distinctive benefits of organic meats. This is evident in the fact that more and more customers negotiate prices and are increasingly tempted by similar products. The resulting confusion undoubtedly constitutes the most detrimental element to the development of the sector because buyers who cannot properly distinguish organic from conventional will not pay the premium associated with organic products. Because organic sector contributors often work side by side with contributors from other sectors, it is important that the confusion among other contributors of the Quebec agri-food industry be cleared up.

It is a known fact that consumers who are willing to pay more for a product expect quality. However, in general, it seems that the quality of organic meats needs to be improved to meet the high standards of butchers and consumers.

Consumers are not located close to the core organic meat production regions, and this distance creates two disadvantages: (1) distance makes it more difficult for producers to stay in contact with their customers, and (2) distance makes it more difficult to reach those customers who are willing to pay more for organic meats but do not have the time to travel to the producer’s farm.

The interviews conducted by ÉcoRessources Consultants have also enabled us to observe that not all regions share the same problems and needs. In some regions, such as Bas-St-Laurent, Beauce and Eastern Townships, producers are trying to consolidate their supply. In other regions, however, such as Outaouais, where there seems to be considerable potential but where the organic expertise is lacking, there are very few certified organic producers and the sector will need additional organic livestock operations to ensure its development. The lack of technical references and expertise is a problem that many producers brought up in the interviews.

Several factors contribute to inhibit the implementation of concerted actions; producers very rarely have an opportunity to meet; not all regions share the same problems; producers are disseminated throughout the province and isolated; producers are overworked with the day-to-day production and marketing activities.

The situation is difficult throughout the entire agricultural industry. Like other farmers, organic meat producers have to deal with narrow profit margins. In general, there is a lot of paperwork associated with agricultural production, even more so under organic management.

In several countries, governments support the development of the organic sector by acknowledging, for example, the particular social and environmental benefits that stem from organic agriculture. This support comes in different forms (see, for instance, Dimitri and Oberholtzer, 2005). Some countries have implemented one or more programs to: set growth objectives relating to the overall market, to certified acreage or to the number of licensed producers; support transition; compensate environmental benefits associated with organic production methods that are not compensate by the market; acknowledge, implement or finance learning/research programs on problems and issues related exclusively to organic agricultural production, on the nutritional characteristics of organic products, etc; implement promotion and education programs for consumers; implement programs to supply public organizations such as hospitals, teaching institutions and day-care centres with organic foods; etc. In this regard, several stakeholders believe the government could do more to support the Quebec organic centre.

Consequently, and given the current state of production of organic meats in Quebec, the sector has limited competitiveness on Canadian markets outside Quebec and on export markets.

5.1.3. Risks

Organic meats must compete with other products that are differentiated based on pricing and/or quality. Imported or generic organic meats and other "natural" meats claim to have the same benefits as Quebec organic meat, but are offered at lesser price. Other products such as game meat and other meats bearing value-adding labels (geographical identification, special production methods, etc.) are positioned as high quality products and are marketed towards consumers who value quality, regardless of the price.

In this context, it may be risky, although tempting, for the sector to try and penetrate the mass market. This would only increase the competition from countries (from Australia, New Zealand, Brazil, etc.) offering similar products at lower prices and would weaken the organic meat sector in comparison with other meat products that are differentiated in terms of quality or other characteristics.

The fact that animals can be processed in non-licensed slaughterhouses and carcasses can be cut in non-licensed facilities certainly helps some producers, but constitutes a significant risk factor for the sector as a whole. Indeed, trust is a major driver for demand among the existing clientele. There are gaps in the organic certification process at various stages of the supply chain, from the farm to the consumer's table, and this is another significant risk factor, and one that will remain present until all actors along the supply chain have obtained certification. It is the high cost of obtaining certification – and the relatively low benefits associated with certification – that explains why some slaughterhouses and cutting facilities have not yet obtained organic certification. This situation could have an impact on product authenticity and consumer trust, which are two crucial elements of the sector's strategy.

Also, the presence of low-quality organic meats on the market is detrimental to the entire sector. Some even believe consumers have lost interest in organic meats for that very reason. For example, cider makers have had to struggle for years and regain consumer trust after several low quality products were introduced on the market in the 1970s. Obviously, customers that have been disappointed are difficult to regain.

Another risk is the trend whereby meat is less present in the diet, and this does not favour meat products in general and organic meats in particular. Over the last decades, meat consumption has gone down considerably. There are two main factors that may explain this situation: ageing of the population and heightened health consciousness, both of which have a negative impact on meat consumption. The fact that less time is spent on preparing meals also has a detrimental effect on organic meat consumption because product availability is limited.

5.1.4. Opportunities

The segment of the population that is willing to pay more for organic meats is made up of consumers who are looking for quality and alternative production techniques. Certain signs (such as the narrowness of the actual market) indicate that there is an opportunity to expand the demand from this market segment in the near term, particularly since our analysis of current trends shows that these concerns are becoming more and more widespread in the population.

5.2. Recommendations for the Quebec Organic Meat Sector

Our recommendations are formulated to overcome or bypass the identified risks and limitations while taking advantage of the assets and opportunities we observed. Individually, producers are faced with an apparently stagnant market that does not adequately compensate their efforts.

With regards to marketing, stakeholders must choose niche markets over the mass market. It is a known fact that selective demand exists, because there are buyers who travel to the farm to meet producers and purchase their products, who shop in specialty butcher shops, who buy CSA baskets and, most importantly, who acknowledge the value of the product they are purchasing by accepting to pay more. This clientele can be found in niche markets and has proven to be the most lucrative and stable of all market segments, but it also has specific demands, and it is important that they be satisfied.

To do so, the sector should turn to the “value chain” concept for inspiration. All information and quality-improving activities must be geared towards satisfying the criteria that are valued by end consumers and buyers. Organic producers, and the sector as a whole, cannot afford to develop characteristics that are not valued by consumers. This implies understanding consumer preferences and requirements, which may relate to various characteristics such as the type of meat (beef, veal, chicken, pork, lamb, etc.), desired cut, retail outlet and so forth. We now know that there are two types of consumers who are interested in purchasing organic meats and who value authenticity: (1) consumers sensitive to environmental and ethical issues and, consequently, to the origin of the products and the production methods used, and (2) consumers who value quality in meat products.

5.2.1 Quality

All participants involved in the production, processing and distribution of organic meats should adopt exemplary professionalism in every operation. There are several actions that can be taken in this regard:

- Professional visits (in the province of Quebec and elsewhere)
  - ⇒ In other farms
  - ⇒ In slaughterhouses, cutting facilities, retail outlets
- Adoption of specifications to improve quality at every stage

The stakeholders we interviewed mentioned that there was significant room for improvement with regards to the level of professionalism of various other stakeholders involved in the production, processing and marketing of Quebec organic meats. The expertise in these fields needs to be structured and consolidated in Quebec. Associations (related to marketing and otherwise) can facilitate the realization of certain of these initiatives and should not hesitate to make them their priority.

The sector should build on consumer trust, as this is one of the strong purchasing arguments conveyed by organic certification. Consumer trust is an intangible quality factor, and is usually fragile and highly determining in the case of organic meats. No effort should be spared to safeguard this trust. For example, the integrity of certification for all operations done on animals and on meat products is essential. The SPVBQ should coordinate efforts to ensure that slaughterhouses and cutting facilities that process organic meat obtain the necessary licensing.

In several countries, some industries have developed a brand image based on their products' characteristics and on information/advertising campaigns. This is the case, for example, with Angus beef in Canada and in the US., with the "Label Rouge" in France, etc. The above recommendations were developed to set the table for the development of a similar image for Quebec organic meats.

Because of the strategic importance of quality in the development of a brand image for organic meats that will allow producers to obtain better prices, it is imperative that the sector adopt stringent quality standards. For example, significant consideration should be given to the intended use of cull cow meat, which makes up a significant portion of the organic meat supply in Quebec. The sector should not put undue emphasis on this type of meat to create value for other Quebec organic meats.

5.2.2. Information

As early as 2003, the strategic plan developed for the Quebec organic sector emphasized the fact that “new markets will be conquered through consumer awareness and information” (FABQ, 2003). The information provided to consumers on organic foods is too often superficial and inconsistent. The sector should take care of this issue.

The next actions must therefore be oriented toward increasing and consolidating the selective and motivated customer base. Once quality issues have been taken care of and products presented are flawless, the sector will have to be ready to inform consumers on the unique characteristics of organic meats. This approach will allow the sector to fully develop the potential associated with organic meats’ numerous distinctive qualities.

A clear and coherent message must be used to support the sector’s long-term development. The first step in this regard is to get rid of the confusion arising from the definition of organic products. This will transform one of the sector’s weaknesses into a significant asset.

The SPVBQ might, at this time, be interested in developing one or several of the following tools:

- Leaflets installed in sales outlets;
- Internet portal for consumers interested in obtaining additional information or specific information on organic rearing methods;
- Internet directory of retail outlets where consumers can purchase quality organic meats;
- Active information desk in charge of providing information to the media, to consumers and to any other person who wishes to obtain specific information on the nature of the organic label, the certification process, the production techniques used by Quebec organic livestock producers and the impact of these techniques on the quality of the ensuing product.

Producers should also gain better knowledge of the purchasing criteria that motive consumers to purchase organic products so they can integrate these criteria into their products. The sector still lacks a comprehensive understanding of the quality criteria that should be developed in each type of production to create interest among consumers and intermediaries (such as butchers) between producers and consumers. Some of the interesting criteria to be examined are: size of carcasses, presentation (colour, size of portions, etc.), taste, flavour, tenderness, etc. For example, butchers need bigger and more consistent carcasses to maximize returns on their products.

5.2.3. Organizing marketing activities

ÉcoRessources analyzed various types of organizations that could help improve the satisfaction of producers with regards to the way in which their products are marketed. Distribution is undoubtedly one way of developing customer loyalty – although many admit that organic meat consumers are generally more indulgent when the products they are looking for are not available – and better distribution (more outlets, more often) for the targeted clientele would improve producers' chances of success. Such an organization is not an end in itself but a means for the sector to materialize its vision and attain specific objectives, particularly as they relate to improving quality and disseminating information.

5.2.3.1. Marketing associations

Because of the difficulties they must face when it comes to marketing their products, many producers are considering creating a marketing organization. By studying the way in which such organizations, past or present, are working, it is possible to learn from their experience and draw a list of errors to be avoided and mandatory elements to include that will ensure marketing activities hit their marks.

There are several types of association of interest that we could look into. In Quebec, there is only one association dedicated exclusively to organic meats, but it is still in development: the Compagnie de viandes biologiques du Québec, inc. which, in the fall of 2006, had 21 organic beef/milk producers in the Bas-St-Laurent region.

In Saskatchewan, the *Canadian Organic Livestock Association* (COLA) is an association of more than 60 producers. COLA helps producers and buyers come in contact, and takes care of supply logistics when members sign a sales contract. Their primary customers are wholesalers and supermarkets in Canada and in the US. The association's Web site[25] contains a description of their activities. Hurteau (2004a) also provides a good description of the association. COLA's President, which we interviewed, mentioned that the association is looking for new producers/members in all regions of Canada.

In Quebec, there are two other inspiring examples of associations for producers who are interested: (1) Symbiosis, a voluntary marketing association for organic fruits and vegetables, sells to large chains in Quebec and other parts of Canada, and (2) Natur'boeuf, an association of "natural" meats from the Bas-St-Laurent and

[25] www.colabeef.ca/

Gaspésie regions. This association has developed "in-house" specifications[26] and has an exclusivity agreement with GP supermarkets where their products are distributed.

Marketing associations are relatively widespread in the differentiated meat sector. Approximately 10 of the interviews we conducted for this study were aimed at identifying success and failure (or significant challenges, particularly in the case of projects that are still underway) factors in marketing associations for differentiated meat products[27]. In addition to the association described above, the following organizations were considered (in alphabetical order): Agneau de Charlevoix, Coopérative de solidarité La Mauve, Coopérative de production ovine KRT, Viandes sélectionnées des cantons (VSC) and Coopérative des producteurs de nouvelles viandes (Vivenda).

The direct advantages expected from these associations are mainly to:

- Free producers from the obligations of direct selling and marketing;
- Ensure more consistent and regular supply to the market;
- Satisfy buyers looking for larger volumes;
- Pool resources for other activities related to marketing such as transportation, cutting, promotion, etc.

Other, more indirect, advantages for producers include the opportunity to share their experience with others, particularly since members have to organize meetings to create and manage the associations. Producers also meet and share their experience during training days, farm visits and social gatherings. The development of and adherence to specifications is also an indirect benefit from these associations, along with the development of an educational tool to improve production quality, to standardize production processes in order to improve consistency in product characteristics, to leverage other producers' experience in order to improve productivity and, finally to add a differentiation factor for the product from the consumer's point of view.

Numerous factors were identified by the stakeholders interviewed in the course of our study as being instrumental in the success of any marketing organization for differentiated meats.

[26] Specifications related to various aspects of the supply chain, from production to distribution.
[27] Of all associations studied, only one – Symbiosis – deals with products other than meat.

- Preliminary stages in the development of the association:
  - ⇒ Hiring of a paid Project Manager;
  - ⇒ Agreement on clearly defined objectives and genuine wish to create the association;
  - ⇒ Legal and administrative structure reflecting the established objectives;
  - ⇒ Hard work, professionalism, drive and patience at every stage;
  - ⇒ Prioritization of certain principles or values (accept the fact that not everything can be accomplished immediately);`
  - ⇒ Sufficient funding;
  - ⇒ Accurate initial portrait of the market;
  - ⇒ Calculate production and operation costs;
  - ⇒ New membership based on well-defined criteria.

- Production:
  - ⇒ Emphasis on quality, tenderness and, above all, on consistency of meat products;
  - ⇒ Development of specifications related to all operations done on the meat; clinics, workshops, professional visits, etc. in order to improve quality and consistency of product for all members of the association;
  - ⇒ Communication between producers.

- Marketing:
  - ⇒ Creation of a communication channel between producers and consumers based on customer service dispensed by the seller (producer, butcher, grocer or other) who is well informed on the product, on client needs, etc; presence at selling points and identification of the product by name;
  - ⇒ Consistency in supply;
  - ⇒ Promotion and communication;
  - ⇒ Fair price for all stakeholders involved;
  - ⇒ Authentic distinction of products (demonstrated by blind testing, for example);
  - ⇒ Volumes sufficient to cover overhead costs (transportation, salaries, etc.);
  - ⇒ Voluntary membership.

- Supply chain organization:
  - ⇒ Guaranteed traceability;
  - ⇒ Slaughterhouse inspected by the federal government to facilitate access to certain markets;
  - ⇒ Organization of the sector and coordination with stakeholders at every stage: production, transportation, slaughtering, transportation, cutting and/or processing, transportation, marketing;
  - ⇒ Slaughterhouse or cutting facilities nearby/slaughterhouse in each region to facilitate slaughtering and cutting and ensure traceability;
  - ⇒ Association/agreement/partnership with retailers or marketing agreement;
  - ⇒ Feedback to producers on their products and on the needs and requirements expressed by their targeted clientele.

The experience of interview respondents has also enabled us to identify determining challenges or failure factors. Naturally, the absence of one of the above factors can, generally speaking, compromise the successes of any association. Some factors however seem to be determining factors of failure:

- Preliminary stages in the development of the association:
  - ⇒ Disagreement over objectives (pooled marketing efforts, specifications, etc.);
  - ⇒ Insufficient understanding of the market (example: attempt to enter the American market via New York, Chicago and San Francisco with its inherent constraints – duty and other fees, obligation to go through a broker with the appropriate import licensing, etc;
  - ⇒ Omission to discuss financing at the beginning of the project;
  - ⇒ Absence of support programmes and overall lack of understanding, on the part of support and financing.

- Day-to-day operation of the organization:
  - ⇒ Considerable amount of work;
  - ⇒ Difficulty in bringing producers together;
  - ⇒ Difficulty in convincing producers that there are other ways of doing things (example: without hormones, etc);
  - ⇒ Information is difficult to disseminate in the sector;
  - ⇒ Membership fees to high compared to expected or observed benefits.

- Prices charged to buyers:
  - ⇒ Inadequate price evaluation (too high or too low);
  - ⇒ Price reductions in times of abundance, which is favourable for wholesalers but detrimental to producers in the long run.

- Production quality:
  - ⇒ Heterogeneity in products or substandard quality.

5.2.3.2. Coordination chamber

Technically, it is possible to create a coordination chamber in Quebec under the "Loi sur la mise en marché des produits agricoles". As provided for in article 136 of this law, a "chamber may take any necessary action to promote, improve, coordinate and develop the production and marketing of an agricultural or food product." At this time, there is only one such coordination chamber in Quebec, and it was created by the strawberry/raspberry growers. In 2000, a request for the creation of a coordination and development chamber for the bison sector was rejected by the Régie des marchés agricoles et alimentaires du Québec (RMAAQ) mostly because "the groups of producers involved could not reach a consensus."[28]

The creation of a coordination chamber is not recommended given the current situation. The SPVBQ and the FABQ are, in fact, quite capable of supporting the projects that would be undertaken by a coordination chamber, and this is the approach that the strawberry/raspberry growers had adopted before they were grated the privilege of creating their own coordination chamber.

5.2.3.3. Joint plans

Joint plans exist in several livestock sectors. The SPVBQ could benefit from engaging discussions with the appropriate specialty federations in order to work out adjustments that would facilitate the marketing efforts of organic meat producers and marketing associations. In the course of these discussions, it is important to keep in mind that organic meats are aimed at niche markets, consequently at certain specific segments of the population and this must govern the manner in which organic meats are marketed to end consumers. Discussions engaged with specialized groups must lead to a win-win solution both for organic meat producers and for joint plan managers.

[28] Régie des marchés agricoles et alimentaires du Québec (RMAAQ), decision 7112 issued on July 31, 2000 in case no 854-02-02.

5.2.4. Local expertise

It is the producers themselves who, with assistance from local and regional agents, are in the best position to identify the most significant problems and prioritize (and mostly promote and implement) possible solutions. And the stakeholders best equipped to support this effort are the MAPAQ regional advisors. Technical clubs, regional UPA federations, management clubs, development centres are other resources with valuable expertise.

5.2.5. Acknowledgement and support from governments and the sector

Better support stems necessarily from better acknowledgement. At this time, however, it seems that the distinctive characteristics of organic meat and organic livestock production have little acknowledgement from the MAPAQ, from La Financière agricole du Québec and the UPA and from the agri-food industry in general.

Consequently, the SPVBQ could benefit from establishing contact with various government bodies and organizations in order to improve their action and support for the sector. Both the federal and Quebec governments could do more for the development of the sector, primarily to eliminate the confusion surrounding the organic certification. It would also be appropriate to adapt certain programs, such as the FISI, to include organic productions, in particular to better acknowledge the higher production costs associated with organic livestock production. The inner workings would need to be determined, but they could be based, for example, on a flat premium or a premium reflecting production costs for insured producers, this premium could be added to their insurance benefits, adjusted benefits calculated according to marketing channels and the realities of organic production and marketing, etc. To inspire and support the claims presented to the government, the sector could commission a comparative study on the support provided for organic production in other countries.

It also seems necessary that other agri-food stakeholders be adequately informed. It would be a mistake not to provide training to the stakeholders involved in various stages of the supply chain for organic meats. These stakeholders need to be informed of the characteristics that distinguish organic meats: worthiness guaranteed by international standards and third-party independent inspections, main specifications as they relate to different types of livestock, organic agriculture as a factor of growth and innovation in all sectors related to livestock production.

5.3. Overview

Market conditions for organic meat, in terms of supply and demand, are such that producers cannot rely on the natural evolution of the market to gain the price increases they need to cover the added production costs, compared to the conventional sector, and ultimately improve their bottom line.

Organic meats are distinct in that they are produced in compliance with the methods stipulated by specifications based on environmental protection and animal well-being. Abiding to these specifications can lead to certification supported by inspections conducted by independent third-parties. Only organizations that have received certification are allowed to label their products "organic". This is why organic meats command a price premium.

However, the selective clientele is slowly losing its motivation, given the current situation where the competition is claiming to offer similar products, with similar attributes, but at lower prices. The reasons for this lack of motivation, however, are not all external. The inconsistent and sometimes unsatisfactory quality of organic meats is hampering the development of the sector. Consumers who are willing to pay higher prices for their products expect more than compliance to specifications and organic certification; they also expect superior quality. The sector, however, seems to have considerable work to do to be able to satisfy this demand. A portion of this select clientele is still indulgent, but another portion has been disappointed with the quality of products and is no longer interested in organic meats. This is a significant hurdle to the development of the sector and its image in the near, medium and long term.

As a general approach, it is suggested that the sector target those market segments that recognize and, most importantly, reward the efforts put out by producers, instead of targeting the mass market which is mainly indifferent to the distinctive attributes of Quebec organic meats. With this aim, and in order to justify and maintain the premium that consumers are asked to pay, certain objectives have been established. Quebec organic meat producers must, as a primary objective, make sure that the distinctive characteristics of the products are incomparable and beyond reproach. They will also need to clearly communicate to consumers and professionals in the Quebec agri-food industry the distinctive attributes of their products. Finally, they will have to improve distribution channels for their products and their own organization.

The last chapter of our report presents various actions that will help the sector reach these critical objectives. These actions are outlined in the table on the next page and cross-referenced with the specific objectives set forth above.

TABLE 10 – SUMMARY OF RECOMMENDATIONS ON HOW TO MARKET QUEBEC ORGANIC MEAT PRODUCTS

<table>
<tr><th>Main Actions</th><th>Secondary Activities</th><th>Specific Objectives Pursued</th></tr>
<tr><td>1. Define quality criteria</td><td>• Develop quality specifications for products
• Develop a “Quebec Organic Meat” certification</td><td>• Quality
• Information</td></tr>
<tr><td>2. Identify Regional Project Officers</td><td>• Create marketing associations
• Support quality improvement initiatives
• Organize professional development activities</td><td>• Quality
• Information
• Distribution
• Organization</td></tr>
<tr><td rowspan="2">3. Inform consumers and agri-food professionals</td><td>• Information flyers
• Information portal and list of sales outlets (Internet)
• Media information office</td><td rowspan="2">• Information
• Organization</td></tr>
<tr><td>• Modify existing joint plans
• Provide consumers with a better understanding of production costs
• Secure additional government support</td></tr>
<tr><td>4. Undertake specific studies</td><td>• Identify demand drivers: obtain information on quality criteria and on information/awareness factors that are important in the targeted market segments
• Examine public awareness and support in other countries</td><td>• Quality
• Information
• Distribution
• Organization</td></tr>
</table>

Source: ÉcoRessources Consultants

The top priority for the SPVBQ, from a very practical point of view, should be to establish quality criteria in line with buyers’ requirements (mainly end consumers and butchers). Given the present situation, the development of specifications designed to achieve this objective and, ultimately, to create a “Quebec Organic Meat” certification would allow the industry to improve product quality while creating a powerful communication tool for targeted consumers.

Another series of measures should be undertaken to improve the level of recognition of organic livestock production and products by both the sector’s targeted client base (including consumers, butchers and restaurateurs, etc.) as well as with the government, certain organizations and businesses, slaughterhouses, etc. There are still very few of these stakeholders who are aware that the “organic” label is regulated and, as such, is backed by rigorous specifications designed to guarantee compliance with sound production methods and ensure inspections are performed by independent third parties, and that Quebec regulations are based on international benchmarks. Acknowledging these elements will lead to increasing sales and obtaining more support from public institutions and organizations in the agri-food sector.

Finally, relevant research studies will support the above mentioned actions. First, studies aimed at identifying consumer characteristics should be undertaken to determine the specific demand drivers for each type of product (price, appearance, outlet location, motive for purchasing, meat cuts, colour, taste, etc.), which would help guide the work to be done to improve quality, marketing and communications with buyers. Furthermore, a study on the ways in which various countries have chosen to support organic agriculture could be beneficial to help the SPVBQ attain better recognition of the organic livestock sector by different government authorities.

CONCLUSION

Organic meat producers are engaged in a particular venture. Once they realized their initial hopes of limitless market possibilities were not going to materialize, they were left with the plain fact that marketing such distinctive products was a long-term project. To reach their objectives, they had to identify the consumers they wanted to target and communicate adequately with these consumers to gain a better understanding of the characteristics they valued.

To increase selective demand for organic meats, stakeholders must first establish – then communicate – the attributes that set them apart from their competitors: organic meats are produced using methods that are sound (in compliance with specifications) and compliance to these specifications is guaranteed (through certification). In addition to consolidating this element, the sector must work on improving the quality of products.

There are various organizational structures that could help in accomplishing this. However, as markets and competition evolve very rapidly, Quebec organic meat producers should take this into consideration when developing the tools they need to reach their objectives.

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APPENDIX

APPENDIX 1 – LIST OF STAKEHOLDERS INTERVIEWED

The two following tables contain, in alphabetical order, the names of producers and other stakeholders interviewed in the course of our Study. Except when stated otherwise, the first table contains the names of all certified organic meat producers interviewed, whereas the second table contains the names of people interviewed regarding various organizational and technical questions relating to the marketing of organic and/or differentiated meats.

The sampling procedure adopted was based on the cumulative (or « snowball ») approach[29] where the core list of stakeholders was established using the SPVBQ and ÉcoRessources' contact lists. Most interviews were conducted over the phone, on a one-on-one basis. Whenever necessary or appropriate, certain consultations were done in person or in small groups.

[29] According to Beaud (2004), this approach consists in "adding to a core group of people all other people in relation with them, and so forth." Questionning is usually considered complete when no new information is added .

TABLE 11 – LIST OF PRODUCERS INTERVIEWED

Name	Farm	Primary organic production	Region
Gilbert Beaulieu and Johane Dubé	Ferme Filiber	Milk	Bas-St-Laurent
Francine Boissonneault	Ranch D'Alton	Bison	Capitale-Nationale
Johane Bérard	Ferme Bio-Rard	Poultry – no longer organic	Montérégie
Guylaine Buecheli	Ferme Rheintal	Beef, pork, veal	Centre-du-Québec
Francine Cataford	Ferme Pierre Mailhot & Francine Cataford	Veal – has cessed operations	Mauricie
Jean-Pierre Clavet	Ferme le Crépuscule	Chicken, beef, veal and pork	Mauricie
Gib Drury	Hays Pride Farm	Beef (conventional)	Outaouais
Romain Dubé	Ferme du grand méchant loup	Lamb	Bas-St-Laurent
Denis Ferrer	Cerf de Boileau	Deer (conventional)	Laurentides
Jean-Guy Filion	Bergerie Jeannine	Goat's milk	Centre-du-Québec
Pierre Gauthier et Diane Lelièvre	Ferme Picardier	Poultry	Outaouais-Laurentides
Damien Girard	Les viandes biologiques de Charlevoix	Pork and poultry	Capitale-Nationale
Gilbert Halde	Ferme Halde	Milk	Montérégie
Ivan Hale	Ferme JIH	Beef (conventional)	Outaouais
Gisèle Hardy	Gestion Robert Hardy	Deer	Abitibi-Témiscamingue
Christian Joncas	Ferme Rivière Ferrée	Milk	Bas-St-Laurent
Benoît Laplante	Ferme Forest-Laplante	Beef	Centre-du-Québec
Jenny L'Italien	Ferme Bio Rousseau	Lamb and pork	Bas-St-Laurent
Anne Mareschal	Ferme Fée & Fougère	Duck, rabbit, lamb, beef, pork and deli meats	Outaouais-Laurentides
Claude Pelletier	Ferme Claunik	Beef	Bas-St-Laurent
Lucie Rioux	Ferme Logi-Bio	Veal	Centre-du-Québec
Michael Rossy	Runnaway Creek Farm	Poultry	Outaouais
Linda Tétreault	Ferme Boréalis	Bison and Highland	Eastern Townships
Michel Thériault	Ferme Poulet fermier	Poultry	Chaudière-Appalaches
Mario et Céline Tremblay	Ferme Mafa	Pork and beef	Outaouais

TABLE 12 – LIST OF OTHER STAKEHOLDERS INTERVIEWD

Name	Function	Activity/Project	Organization/Company
Frank Andrasi	President	Production and distribution	Organic Options
Julie Bergeron	Services Director	Certification body	Québec Vrai
Alain Bisson	Owner	Cutting and retail (specialty butcher shop in Gatineau)	Maison Bisson/Boucherie Alain Bisson
Germain Babin	Sales Manager	Marketing pool for organic produce	Symbiosis
Clément Bergeron	Co-owner	Slaughterhouse, cutting and butcher services	Abattoir regional de Coaticook
Jean-François Bovet	Head of marketing for the Metro banner	Merit brand beef	Metro
Danielle Breault	Organic agriculture Specialist		MAPAQ
Lucie Cadieux	Owner	Production, cutting and sale of Charlevoix lamb	Ferme Éboulmontaise
Dany Côté	Coordinator		Luceville slaughterhouse
Daniel Dubé	Managing Director, Corporate Development	Organic products line at IGA and Rachelle-Bery	Sobeys Quebec
Simon Dugré	Agricultural and forestry development Specialist	Viandes sélectionnées des cantons (VSC)	CLD de la MRC d'Asbestos
Pierre Dumoulin	Sheep and goat Specialist	Sheep and goat production	MAPAQ
Richelle Fortin	Marketing Manager	Electronic auctions	Fédération des producteurs de porcs du Québec
Nicolas Gauthier	Owner	Cutting services for organic livestock breeders	Laies marcassins du Rieur Sanglier
France Gravel	Manager	Certification body	Garantie Bio
Sonia Gosselin	Organic Advisor	Technical advisor and milk records	Valacta
Marie-Claude Hurteau	Certification Agent		Fédération des producteurs acéricoles du Québec
Isabelle Joncas	Manager	Quebec CSA network	Équiterre
Marie Lacasse	Coordinator	Buther services	Coopérative de solidarité La Mauve
Maxime Legault	Marketing Manager	Cull beef cattle, deacon calves and grass-fed calves	Fédération des producteurs de bovins du Québec
Ève Martin	Sales and Marketing Agent	Grass-fed calves (sales agency)	Fédération des producteurs de bovins du Québec

Francis Ouellet	Foreman	Federal slaughterhouse	Luceville Slaughterhouse
Christian Pelletier	Regional Advisor on beef cattle production	Natur'Boeuf	MAPAQ (Bas-St-Laurent)
Claude Pelletier	President	Organic beef association	Compagnie des viandes biologiques du Québec
Bertrand Raymond	Owner	Slaughtering and cutting	Manseau slaughterhouse
Sam Rhode	Marketing Manager	Organic beef association in Saskatchewan	Canadian Organic Livestock Association (COLA)
Jean-Sébastien Roy	Development Agent	Butcher steers	Fédération des producteurs de bovins du Québec
Marcel Roy	Organic agriculture Specialist		MAPAQ
Bernard Roy	Marketing Agent	Association of lamb producers	Coopérative de production ovine KRT
Nancy Boilard	Quality control Inspector	Federal poultry slaughterhouse	Agri-Bio slaughterhouse
Carmen St-Denis	Project Manager		UPA (Gaspési-Les-Îles)
Yves St-Vincent	Owner	Certified organic production and slaughtering	Boucherie St-Vincent
Alain Sylvestre	Secretary/Coordinator	Rabbit industry	MAPAQ
Monique Scholz	Independent Inspector/Extension Specialist		Freelancer
Marie-Ève Tremblay	Interim Managing Director	Heavyweight lamb (sales agency)	Fédération des producteurs d'agneau et de moutons du Québec

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