

Chapter 5

Organic Cooperatives Facilitating Sustainable Consumption

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ABSTRACT

Organic food consumption worldwide is growing. This chapter investigates this growth and outlines the major reasons behind the growth. Lack of consumer confidence in food produce from traditional channels is at the forefront of the increasing prominence of organic food consumption. A distribution channel, which has restored consumer confidence in food products, is organic cooperatives. This chapter provides a much needed definition of the organic cooperative and examines this concept through a social network lens. It further highlights the importance of close ties in the supply chain to build consumer confidence. It provides several examples of community cooperatives that use network ties and relationships to achieve success in this industry.

INTRODUCTION

The organic food industry has witnessed increasing worldwide popularity and growth. With the increase in visibility of reports on intricacies of production processes in the media and consumers becoming more conscious about what they consume, the relevance of the organic industry is achieving prominence in consumer purchasing behavior (Nasir & Karakaya, 2013). Engaged consumers treat organics as a step forward in becoming better citizens of a global society. Additionally, the organic industry can have broader positive implications for stakeholders included in the process such as farmers/producers and consumers (Kroma, 2006). Consumers benefit from better production practices and local farmers and producers benefit from promising market demand. This chapter focuses on the organic food industry in Australia, specifically examining the operation of cooperatives in local communities and the ties they

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have with both the farmers/producers and others in the community. We investigate organic cooperatives with a social network theoretical lens whilst highlighting the growth of the organic sector from social and economic perspectives. Further, we probe arguments that support and also weaken the validity of potential in the organic food industry. We emphasize its functional position from a business to society frame of reference. In conclusion, we highlight research opportunities for scholars to further enhance our knowledge of the organic industry and as well encourage adopting an interdisciplinary approach to provide a comprehensive understanding of the implications for businesses on a global scale.

BACKGROUND

Australia has a history of alternative lifestyles and utopian experimentation (Metcalf, 1995). It is home to one of the largest markets for organic products (Australian Organic, 2014). Research indicates that organic food buyers are passionate about health, quality and environment (Pearson, Henryks, & Moffitt, 2007). These health conscious consumers in Australia represent an ideal market segment for organic products (Ogbeide, Ford, & Stringer, 2015). In addition to being health conscious, organic consumers believe organic food tastes better (Lodorfos & Dennis, 2008). Such community and consumer attributes can be related to an overarching positive attitude towards organic consumption in the region.

A review of the literature indicates that the organic food industry in Australia is an understudied subject area. Thereby, it represents an exciting opportunity for research and scholarship. This chapter contributes to the organic industry literature and deliberates on the phenomenon of cooperatives as a mechanism to support industry growth in the organic sector. Further, we attempt to show how learning from organic cooperatives with regard to market needs, can allow other small retailers (such as neighborhood food retail stores) and large businesses (such as supermarkets) to derive understanding of the organic cooperative's operational approach. This learning can help these retailers accelerate their respective business model innovations to better meet the challenges of progressive consumer trends.

The term 'Organic Cooperative' in this chapter is used interchangeably with 'Organic Food Cooperative'. We define Organic Cooperative as a not-for-profit, or for-profit cooperative organized by consumers, or an organization, or a business entity in a given region that facilitates the consumption of goods that are produced organically. This definition is in line with the definition of cooperatives set out by the International Cooperative Alliance (2015), which defines it as 'an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise'. Global trends such as organic food production and fair trade are promoting better practices in the international agricultural industry (Raynolds, 2000). It is important to note that the organic cooperative is somewhat different from many other socially responsible supply channels (such as fair trade) in the context of their location point. Organic cooperatives assume that consumers and producers are connected on a routine basis and the commodity in focus (food) is perishable. Therefore, organic cooperatives are based in communities with a minimum threshold number of active households. The threshold number that is needed for a cooperative arrangement to be financially feasible would vary and will depend on cost and the cooperative members' buying capacity. In this chapter we are discussing the relevance of the cooperative approach in facilitating organic consumption and the role of organic cooperatives in the organic food industry ecosystem.

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