DISTRIBUTION IN THE ORGANIC FOOD MARKET: TRENDS AND CHALLENGES

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Nowadays, research on environmentally and sustainable consumption describes the problems with current marketing and consumption practices (Prothero *et al*., 2011). Most environmental challenges that humanity is facing relate to unsustainable consumption patterns and lifestyles. This is also related to basic needs such as food. The present food chain is mainly based on food scarcity, GMOs, use of pesticides and antibiotics, and industrialization of the agricultural system. Growing consumer demand for organic food (OF) is based on most of these facts (Chryssohoidis and Krystallis, 2005). Indeed, organic production combines best environmental practices, preservation of natural resources, animal welfare standards while ensuring no use of genetic engineering, pesticides, additives, or fertilizers; each stage of the organic food production being controlled and certified.

Organic agriculture and organic food consumption are now going mainstream (Tutunjian, 2008). It is now recognized that agri-food markets have changed, mainly due to a number of food scares and crises that have stimulated change in demand for higher levels of safety and quality in food. The organic market is the fastest growing sector in the food industry and double-digit market growth rates are leading to undersupply in various regions (Organic Monitor, 2007). However, there are some unique challenges to the cost and logistics of moving locally or regionally produced organic food to the market. Of particular interest are the operations size and the situation of small and medium size farms. The production of the latter is of little interest to mainstream grocery chains as it is limited to a few hundred tons. Among other factors, production methods and operations size are key here. Large-scale farming is sustained by important economies of scale while small scale farming leads to higher prices to cover extra costs of not using fertilizers and antibiotics. As a result, there is a wide variety of product classifications depending on the production methods and thus, the operations' size. This in turn gives raise to 2 distinct distribution systems: long channels, eg. retail chains, that add value through price and high distribution intensity, and short channels, eg. direct from producers, that add value through their production methods and sustainable practices. Hence, discrepancies between market realities, the value chain and the value delivery system are still a challenge for the organic food sector.

The main issue here is to determine the factors on which the different production methods and distribution systems rely on in order to add value to the organic food products offered. In order to address this issue, this study first presents the current literature related to the structure of the production and distribution of the organic food system and market, supported by an integrative production-distribution model. The methodology is based on 35 in-depth interviews conducted with different types of organic food distributors in 7 Canadian cities (producers, farmers' markets, managers of specialty stores, small grocery chains and retail chains), and data collected is analyzed using content analysis. The findings highlight for the different production methods and distribution systems in place: (1) the main current trends, (2) the strategies and practices used to add value to their offer, and (3) the challenges they are facing in the actual organic food market.