

Emerging Market for Organic Milk in Portugal – Consumer Demand and Prospects

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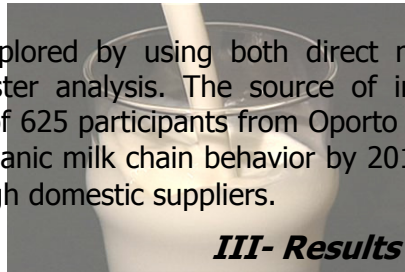
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I- Introduction

The Portuguese dairy industry is experiencing a restructuring process aiming at facing new market conditions driven by sustainability requirements, innovation needs and the growing power of food distribution networks. On the demand side, factors such as convenience, quality and safety increasingly constitute the main movers of consumer choice. While Portuguese annual per capita total milk consumption is stabilised at a level close to EU average, demand for organic milk products (OMP) is increasing. On the supply side, recent EU and national agricultural and food policies have been pushing the Portuguese dairy industry to adopt different production and marketing practices.

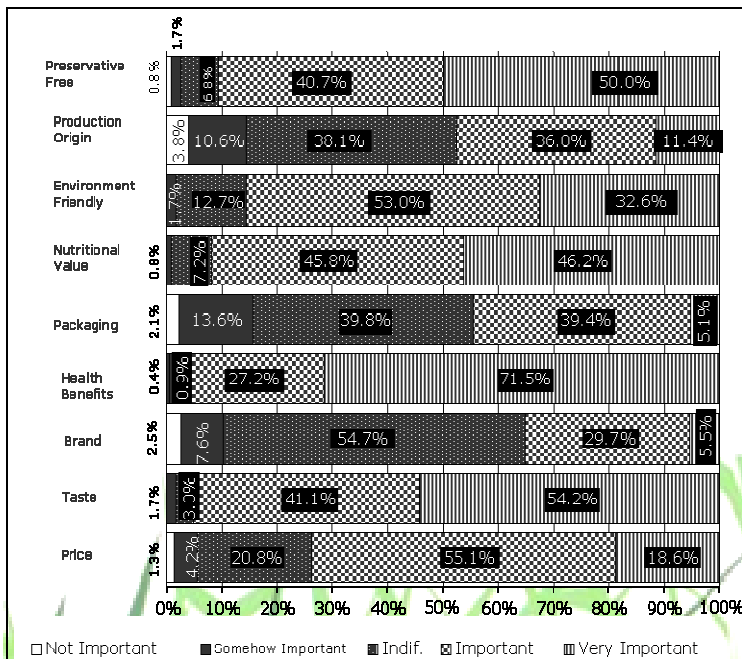
II- Methods

Demand for OMP in Portugal was explored by using both direct market observation and multivariate methods, in particular factor and cluster analysis. The source of information was a consumer survey performed through a stratified sample of 625 participants from Oporto metropolitan area. Subsequently, we explore what will be the Portuguese organic milk chain behavior by 2015, and also if will be possible satisfy the expected increase in demand through domestic suppliers.



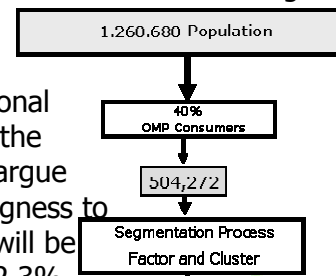
III- Results

Results indicate, *inter alia*, a considerable lack of knowledge regarding organic notion. Concerning attribute valuation, health benefits and environmental protection represent the largest share of favorable opinions. Cluster analysis led to the detection of three consumer groups.



Source: Consumer Survey, Rui Rosa Dias, 2006.
Figure 1: Attributes of organic milk products

Compared with conventional milk, in 2015 the Delphi panel argue that the willingness to pay for OMP will be on average 22.3% above.



OMP Consumption Frequency	Cluster 1 34% 171,452	Cluster 2 50% 252,136	Cluster 3 16% 80,684	Total
Daily	26.3% 45,092	26.2% 65,556	15.5% 12,506	123,154
Irregular	73.7% 126,360	73.8% 186,580	84.5% 68,178	381,118
Total	171,452	252,136	80,684	504,272

Source: Consumer Survey, Rui Rosa Dias, 2006.

IV- Discussion

Quantitatively, the actual demand is made up by 504,272 consumers, of which 123,154 are daily consumers. There is a potential market of around 381,000 consumers having already consumed an OMP at least once. Of the 756,408 consumers that have never consumed these products, approximately 78,000 may do so in the next three years if certain factors change (e.g. more information and lower prices). According to this study the number of OMP consumers would grow significantly in the future, mainly if environmental sensitivity and quality of life education are enhanced.