

The Organic Penalty: How Organic Food Recalls Affect Consumers and Investors?

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Abstract

Food production systems are increasingly complex and vulnerable, with organic products facing unique challenges. Despite improved food safety standards, organic food manufacturers deal with stricter regulations and rising recall incidents that can undermine quality perceptions. This study investigates how organic versus conventional food recalls affect consumers and investors, filling a gap in current research. Using a mixed-methods approach, we find that recalls of organic foods trigger more negative investor reactions, with an organic penalty of an additional -8.9% abnormal stock return. Experiments reveal that perceived betrayal mediates the negative impact of organic recalls, especially among consumers skeptical of organic claims. The study stresses the need to strengthen organic labeling credibility and for firms to respond proactively to minimize recall fallout, offering valuable insights for supporting sustainable food systems.

Keywords: organic food, product recall, consumer response

Track: Product and Brand Management