

Organic food market defies poor outlook to record increased sales

BY EMMA SLAWINSKI

THE US has seen “phenomenal” growth in organic food products in the past year, while both consumer and industry behaviour shows positive signs for the future, according to Roy Jurgens, president of California-based organic ingredients supplier, Multiple Organics.

In 2009, although growth in organic foods fell from the 18% average of the past seven years, the overall number was still good, at 5% - and higher than the 2% growth rate for non-organic foods, reveal data released recently by the Organic Trade Association (OTA), which serves the organic industry in North America. Total organic food sales for the year reached almost USD25 billion.

Jurgens believes this strong result was thanks to the evolution of three distinct categories of shoppers: “We look at the end consumer [in] three different ways. You have got one group for whom it is a lifestyle; they are going to buy organics. Price is high, price is low, the economy is doing well, not doing well: they are buying. The third section, they do really look at the margins, they easily switch back and forth.

“And then you have got the really interesting second section. They have done the research, they are scared to death of the fertiliser and chemicals that are being put into products that they are feeding their kids. This second group is a huge driver.” This group, Jurgens says, will try to economise in other areas, even their own diet, in order to be able to serve organic meals to their children.

Such behaviour does not just help organic sales in the short term, Jurgens suggests. It heralds the possibility of a generation that is naturally attuned to organic foods: “If you have got all these kids growing up that way, what does that mean for the future? Do those kids become that first group that are going to, no matter what, be buying [organic]?”

Recent scientific research may also be significant in turning consumers towards organic foods. Jurgens points to studies such as the latest annual report from the US president’s cancer panel, which makes a connection in plain terms between agricultural chemicals and various cancers, and a paper published in *Pediatrics*, which links exposure to organophosphates with ADHD. “It is fascinating to see these research pieces come out because it will only lead to more education,” he says.

As well as food safety and health issues, another influence that has kept organic food

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Organic Food	6100	7360	8635	10381	12002	14223	17221	20410	23607	24803
Growth	21	20.7	17.3	20.2	15.6	18.5	21.1	18.5	15.7	5.1
Total Food	498380	521830	530612	535406	544141	566791	598136	628219	659012	669556
Growth %	5.0	4.7	1.7	0.9	1.6	4.2	5.5	5.0	4.9	1.6
Organic as % total	1.2	1.4	1.6	1.9	2.2	2.5	2.9	3.2	3.6	3.7

SOURCE: Organic Trade Association

sales buoyant through the recession has been a broader shift in eating habits and increased awareness among consumers. “You have to keep in mind that what has also been going on in the last eight years [since Multiple Organics was founded, in 2002], is the rise of the food networks, people cooking more at home, the rise of the farmers’ markets, celebrity chefs... and people really being able to create restaurant-quality at home now. They start getting into that and they want more and more high quality products.” As consumers seek information more actively about the food they are eating, they start to purchase more organic foods, Jurgens reckons.

It is increasingly easy for them to do so, too, as distribution of organic products shifts to mass retail channels. According to the OTA, while in 2005 natural grocery chains and regional natural and health food stores were responsible for 47% of all organic sales, in 2009 their share had dropped by nearly 10%. Growth of private label organics in retail channels has also influenced a shift in the share of sales between different channels.

Supply issues

While growth in sales and an increasing presence in mainstream retail are undoubtedly positives for the organic industry, the nature of organic production will inevitably be a constraint on supply. Organic foods accounted for a growing share of food sales in the US (3.7% in 2009, up from 1.2% in 2000, according to the OTA) and US farmers cannot meet demand within the country.

There are also products that simply cannot be sourced domestically. In other countries from which Multiple Organics sources ingredients, cashflow and the availability of a workforce to farm and process the crops can also be obstacles for producers. In order to help improve food safety and ensure a stable supply, the company is in the process of setting up a foundation which will offer short- or long-term loans for improved factory equipment or for the acquisition of crops. It will also deliver education and

health projects to support the people involved in production. “What we try to do is work with our suppliers to choose the various needs that are required in their community for education or nutrition and we work with them to help realise this. This all ties into making sure there is a steady, sustainable supply,” Jurgens explains.

Asked what trends to keep an eye on in organic foods, Jurgens points to increased consumption of gluten-free products due to the large numbers of coeliac and gluten-intolerant consumers, which could see a boom in seed- or grain-type foods like quinoa and amaranth. He also thinks chia, a seed that grows in Central and South America, is one to watch: similar to flax (linseed) in its applications, chia could soon be commonplace in products such as granola bars, he says.

However, the overarching tendency which will affect both organic and non-organic foods is cost, he emphasises. “Given that there is a limited supply and there is growing demand, and the economy is picking up and China is moving in more and more, it is going to be a matter of price trying to find an equilibrium between demand and supply. So it does not matter what you are going to be eating, whether it is non-organic food or organic food, the cost of food for all of us is going to increase.”

Despite this potential cloud on the horizon for both the food industry and consumers, Jurgens’ confidence in the future of organics remains unshakeable: “We have a very bullish outlook. Our focus is the US and Canada. We see both these markets for organic foods continuing to grow,” he concludes.

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