

Organic Foods

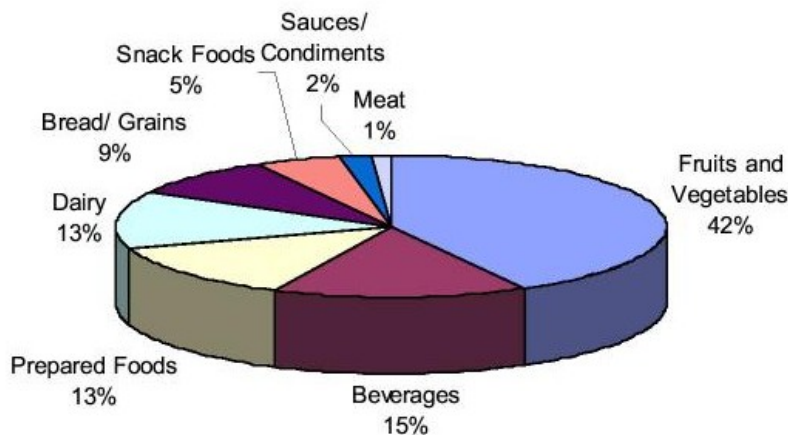
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Organic products are a rapidly growing area of the food and beverage sector. Each year more Americans are satiating their hunger pangs with organic foods and beverages that have evolved into more than just tofu and soy meat. Pasta, orange juice, pizza, and potato chips are among some of the products that are attracting customers to this health-conscious industry. According to Prepared Foods Magazine, organic foods are selling five times faster than traditional foods at the supermarket, with U.S. sales estimated at \$22 billion by 2010. Despite the 50-75% price premium on these items, over 60% of households say they use organic products at least occasionally. Consumers are demanding as many organic substitute products as they can think of, with fruits, vegetables, dairy, and prepared foods topping the list.



Source: Organic Trade Association, 2003.

While many products are slow selling due to lack of flavor, sales of staples have skyrocketed. Over \$1 billion of organic soymilk is sold each year and this number is expected to double by 2010. Organic juices are not trickling into the market either, netting over \$200 million in 2003, with expectations that this number will triple by 2010. But why such a craze for premium priced products? A tracking program initiated by Whole Foods Market found that consumers weren't just being conscious about what they consume, but looked at environmental and economic issues as well.

Reasons for Buying Organic Foods

Better for the Environment	58%
Better for Supporting Small and Local Farmers	57%
Better for their Health	54%
Better Quality	42%
Better Taste	32%

Source: Whole Foods Market Organic Trends Tracker, 2004.

Demographics

No longer a consumer niche, organic food products are appealing to a wide variety of market segments. While the typical consumer of organic foods is between 40-55 years of age, younger adults are rapidly increasing their consumption. In a 2002 study, 68% of 18-24 year olds stated that they purchase organic beverages, and 78% of this group feels that the consumption of organic products is a smart choice for long-term health. The Food Marketing Institute (FMI) notes that the typical target markets include mature consumers, environmentally conscious Gen Xers, and college-educated Baby Boomers in large cities on the East and West Coasts. The FMI also found that 37% of African-American shoppers and 39% of Hispanic shoppers are purchasing organic items. The number is considerably lower for Caucasian consumers at 25%.

Trends

Still today, fresh produce is the most popular product in the organic food category, but consumers can also buy organic snacks, cooking oils, sodas, and frozen vegetables. The foods are no longer considered just an alternative to mainstream products as organics are gaining ground. The organic foods offered to consumers are the same high quality and are often priced competitively. Currently, multinational food businesses, such as Heinz, Kellogg, and Nestle, are recognizing the importance of this market. They are in the process of partnering with successful major organic brands to release common food products found on retailer's shelves.

Chefs are also joining the organic craze by embracing the flavorful quality by incorporating them into their restaurant's menus. Food & Wine magazine's *Chef's Survey* found that 76 percent of the chefs surveyed said that they "actively seek out organically grown ingredients." And, according to the National Restaurant Association, 57 percent of restaurants with per person checks of \$25 or more now offer organic items on their menus.

Packaging continues to grow in importance because it serves as a billboard for health and nutritional claims. And the use of pictures and graphics is the most powerful sales tool. Federal regulations governing symbols and labeling of organic foods were established in 2002 as part of the National Organic Program, managed by the U.S. Department of Agriculture. However, foods labeled "organic" must conform to N.O.P. rules. Any product labeled as organic must identify each organically produced ingredient in the ingredient statement of the package's information panel.

Sources

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