

Agricultural Outlook Forum
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US Organic Food and Organic Sugar Market

Nigel Willerton



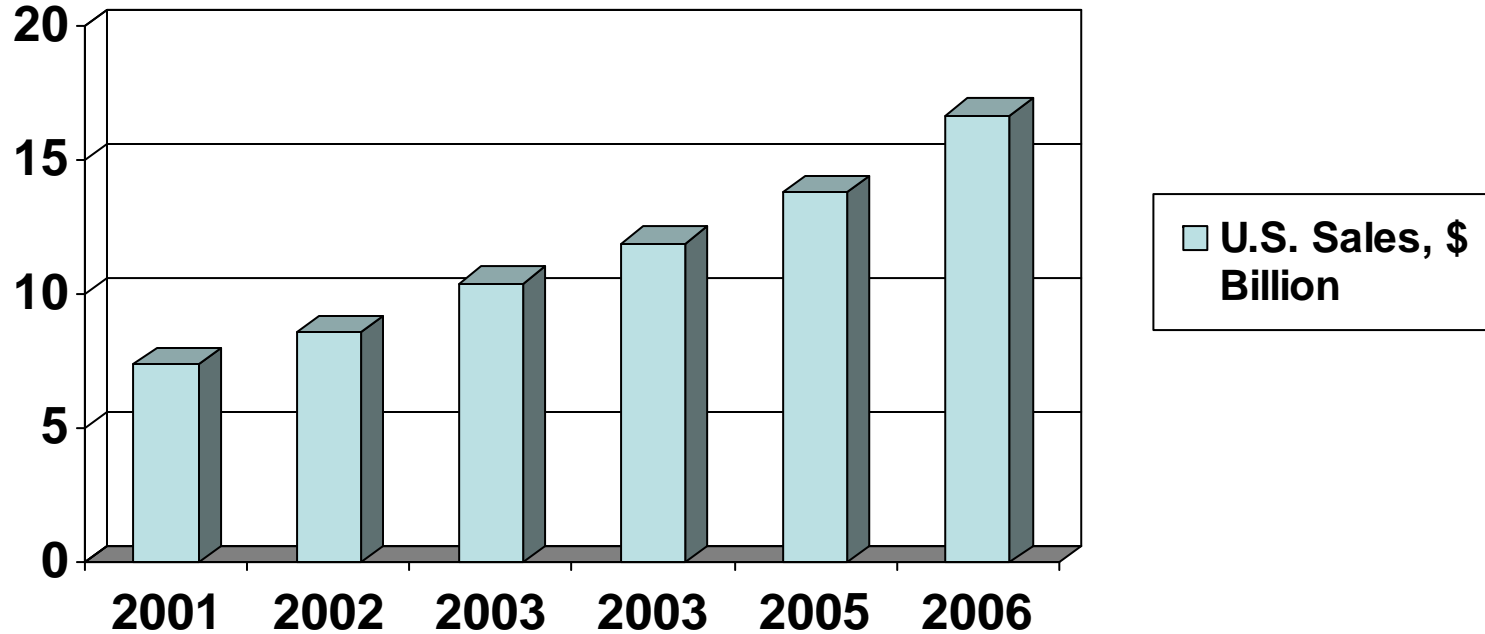
US Organic Food and Organic Sugar Market

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U.S. Organic Food and Beverage Retail Sales (2006 = Approx. \$17 billion)



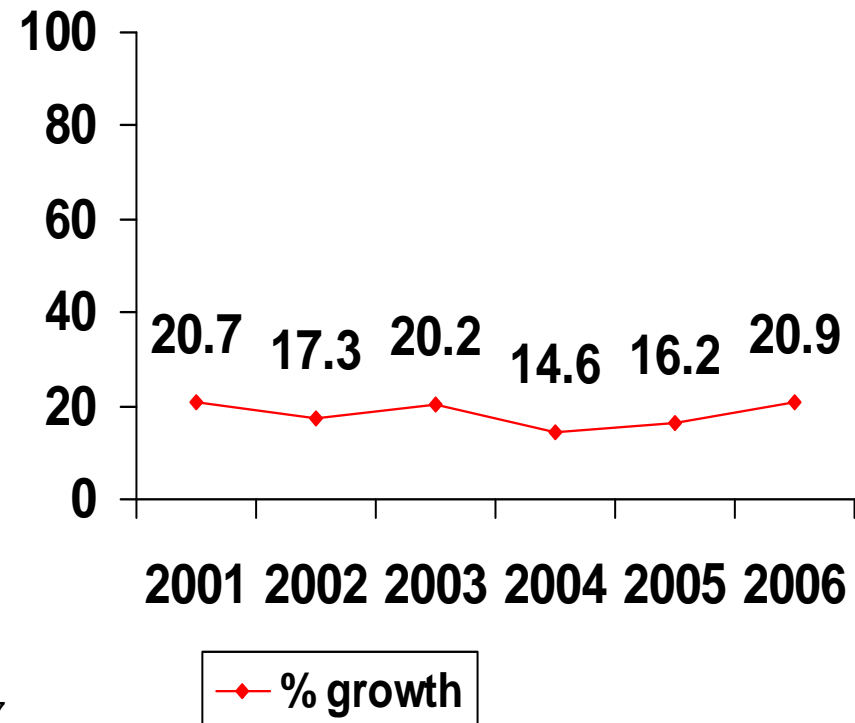
Source: Organic Trade Association's 2007 Manufacturer Survey





Sales Growth Rates

- Food and beverage sales have been growing steadily (2006 approximately 21%.)
- Organic foods are now 2.8% of food and beverage sold

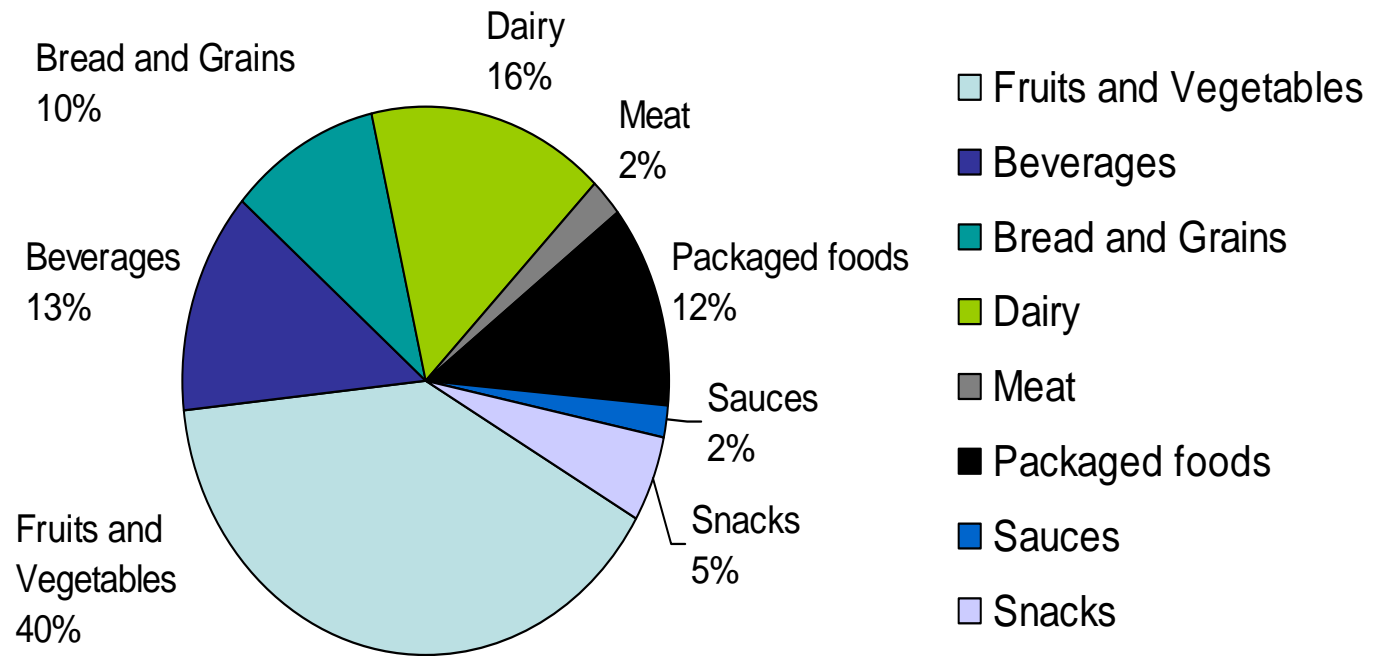


Source: Organic Trade Association's 2007 Manufacturer Survey





Category Share – U.S.



Source: Organic Trade Association's 2007 Manufacturer Survey



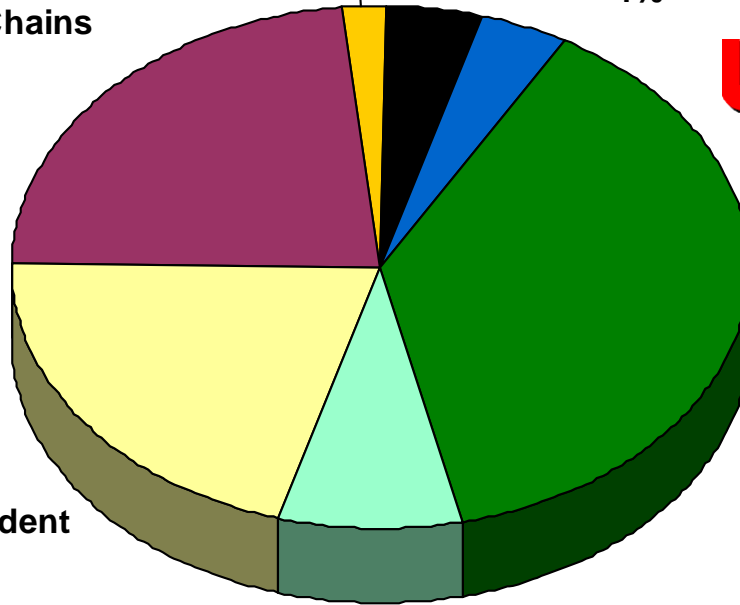


Where Organic Food is Purchased



Farmers Markets 2%
Other 4%
Food service 4%

NF Large Chains 23%



Mass Market Grocery 38%



NF Independent 21%



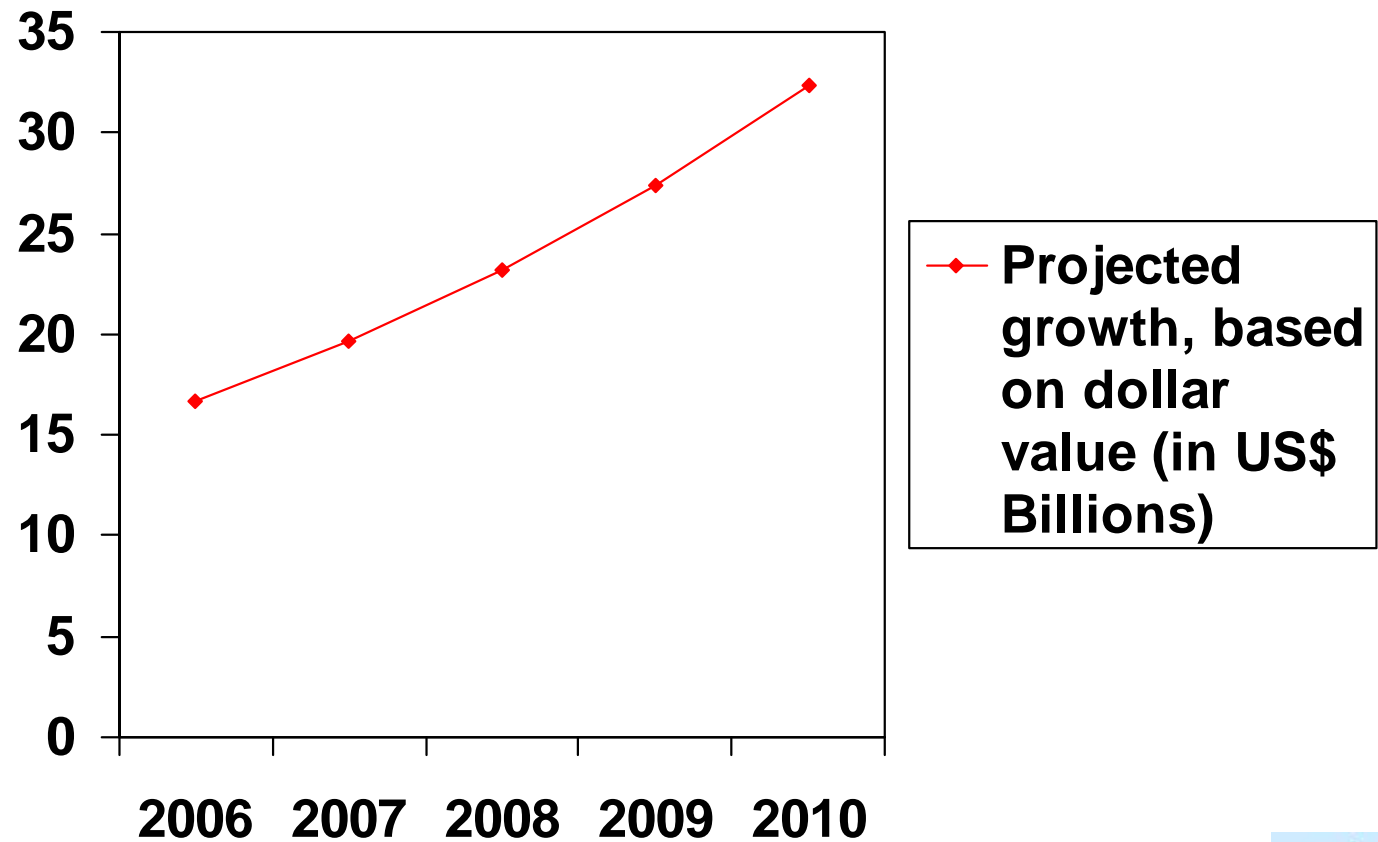
Mass Market Other 8%



Source: OTA 2007 Manufacturer Survey



Where are U.S. sales going?



Source: Organic Trade Association's 2007 Manufacturer Survey

Organic Food Consumers

Core Consumer Drivers:

- Environmental Protection
- Health & Nutritional Benefits
- Fear Factor – BSE, Hormones & Anti-Biotics, GMO's etc.
- Animal Welfare Concerns
- Social Responsibility – Protection of Workers and Family Farms





Organic Food Regulation

- National Organic Standards in the U.S. were created by Organic Foods Production Act of 1990
- The National Organic Program (NOP) of the Agricultural Marketing Service, USDA accredits certifiers and enforces the law.





National Organic Program

- Governs farming and handling practices and materials
- Makes labeling consistent for consumers
- Provides stiff penalties for violators
- Adds visibility and authenticity for organic products via “USDA Organic” seal confirming that such products have been produced in compliance with the NOP Standards.





Four Label Categories



100% Organic



Organic

- must contain 95% or more by weight excluding salt and water

Made With

- 70% or more, can list up to 3 organic ingredients on front panel

Ingredient Listing

- less than 70%, "organic" can only appear on ingredient panel





Organic Food Industry

A broad church of farmers, manufacturers and traders with many different viewpoints but all have the same basic shared vision:

To make Organic products a significant part of everyday life, enhancing people's lives and the environment.





Organic Trade Association (OTA)

The OTA's Mission:

To promote and protect the growth of organic trade to benefit the environment, farmers, the public and the economy.

Furthermore, through education and research demonstrate the positive environmental and nutritional benefits of organic farming and food production methods.

Maintain the highest organic food production standards as the market expands.





Sugar – The ideal Organic Sweetener

Organic sugar is the most attractive organic sweetener as it will perform identically in most applications in the same way as refined sugar

Organic sugar is produced to the highest quality standards, production has responded to the worldwide growth in demand and it is relatively cost-competitive.

An organic alternative is now available for virtually any major conventional sugar product including Granulated Sugar, Powdered and Brown Sugars Liquid, Inverts and Molasses





Sugar – The ideal Organic Sweetener

- Paraguay, Brazil and Argentina are the leading manufacturers
- The sugar cane is grown to strict organic standards and overseen by US NOP certifying bodies like QAI.
- The organic sugar processing is also strictly monitored and certified each crop year. Only NOP allowable processing aid is Milk of Lime.
- Most organic sugar is Evaporated Cane Juice (ECJ) in that it is first crystallization sugar. It is crystallized from concentrated organic cane juice without further processing. Excess cane molasses is washed away with steam to produce a neutral flavored product though the ICUMSA is still at minimum ten times that of a refined white sugar.





Sugar – The ideal Organic Sweetener

- The higher ICUMSA can be problematic to food manufacturers in some sensitive product applications where only sweetness and bulking is sought. The slight molasses overtones in organic sugar can be incompatible.
- Such applications include clear beverages and sodas, ice cream, cakes and cookie fillings.
- However, additional processing is now available for liquid organic sugars that would effectively resolve those problems plus any turbidity (suspension) issues in beverages.



Organic Sweetener Demand

Over half the US Organic Food Market is represented by processed foods and the vast majority of those require a consistent high quality organic sweetener.

In recent years, many market-leading organic brands and companies have been acquired. Examples are:

General Mills – Cascadian Farm

Kraft – Back To Nature

Danone – Stonyfield Farm

Dean Foods – White Wave & Horizon



Small Planet Foods®

Food that contributes to consumers and our planet.



Virtually all major food manufacturers now market organic products and virtually all need a high quality consistent organic sweetener at a competitive cost.





Organic Sugar Demand

The major organic food categories using organic sugar are soy and other beverages, dairy products, cereals, chocolate, confectionary and preserves.

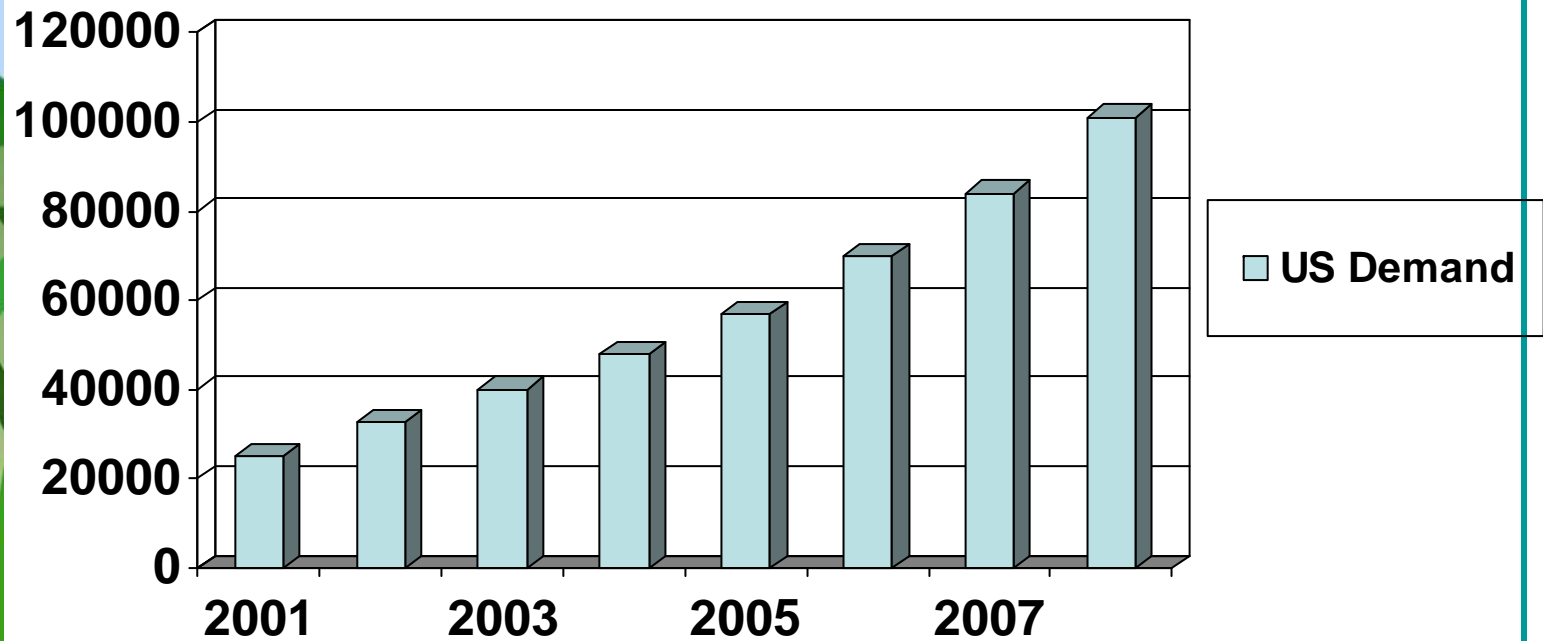
The growth of Supermarket private label organic food programs has created significant further organic sugar demand as they look to capitalize on the growth in consumer demand for organic foods.



Organic Private Label was originally confined to specialist retailers like Whole Foods Market with their 365 program and predominant own brand stores like Trader Joe's. More recently, organic private label has moved to mainstream aisle of major supermarkets with Safeway O Organics and Kroger's Naturally Preferred brands as examples



U.S. Organic Sugar Demand (2008 = Approx 100,000 Metric Tons)



Source: Wholesome Sweeteners Projection





US Market Access For Organic Sugar

The vast majority of Organic Sugar sold in the US is imported under the Specialty Sugar Quota

USDA has reacted positively in recent years to extend access in response to the growing market demand for organic sugar in the United States

Continued duty-free market access is crucial to allow the organic processed food market to flourish with supply able to match the market demand at a competitive cost.





Learn more: www.ota.com

- OTA's All Things Organic™ Conference and Trade Show is April 27-29, 2008 in Chicago
www.organicexpo.com
- Find business contacts fast:
www.theorganicpages.com
- Clearinghouse of how-to information:
www.HowToGoOrganic.com
- Find US-based exporters:
www.usorganicproducts.com
- Organic Sweeteners:
www.organicsugars.biz

