Improving Information on Organic Agriculture

USDA’s 86th Agricultural Outlook
“Sustainable Agriculture: The Key to Health & Prosperity”
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Organic Trade Association
OTA's mission is to promote and protect the growth of organic trade to benefit the environment, farmers, the public and the economy.
Market Update - Snapshot

• The growth rate for organic food products in 2008 was 15.8%. Organic food now accounts for 3.5% of all food products sold in the U.S.

  - The fruit and vegetable category accounts for the largest portion of organic food sales, 37% of total organic food sales in 2008.
  - The second largest categories are beverage and dairy, representing about 15% each.
  - The strongest growth in 2008 is in the categories of breads and grains (35% over 2007) and beverages (32%).
Strong Growth in 2007-08 Slows Considerably in 2009 but Mintel Forecasts Recovery

- Following solid growth through 2008, the organic food and drink market slowed considerably in 2009, thanks to recessionary woes, and consumer behavior shifts.

U.S. FDMx and natural supermarket sales of organic food and drink, at current prices, 2006-12

PROJECTED

What information is needed to improve processors’ (retailers’) capacity to meet organic consumer preferences and needs?

- Product quality & diversity
- Merchandising Preference
- Price
- Cache
- Consumer needs for education
Consumer Research – What do we know today?

- Overview of available research
  - Mintel/SPINS- December 2009 release
  - OTA/Kiwi study April 2009
  - Boston Consulting Group
  - ERS
Trends in the “New Normal”

- Thrift
- The appearance of thrift
- Consume less
- Experience versus stuff
- Trading down but not trading out
- Cooking from Home Cooking from **Scratch**

Retailers and processors need strategic information on the ‘new normal’ to develop and market organic products that align with shifting preferences away from excess.
Summary of Key Findings

73% of U.S. Households with children report organic purchases in the last year

Challenging economic times impact families’ spending habits

- The largest cuts in household spending reported in the ‘restaurant’ category (67%).
- Over two in ten parents (22%) report their most significant change in spending over the past year has been to ‘eat out less and cook at home more.’
- Six in ten parents (63%) indicate they are more often ‘buying ingredients to prepare meals at home’ compared to six months ago.
Summary of Key Findings - Price

Non-Buyers

- ‘Non-Buyers,’ are least likely to see ‘food’ as a component of any health maintenance activities and are far less likely to integrate any health-related activities into their and their family’s daily lives.

- These parents will frequently point to ‘price’ as a primary reason why they do not buy organics,

  - findings reveal a deeper inertia among Non-Buyers, driven in large part by a lack of interest in the subjects of health, food, and environmental issues.

Processors and Retailers continue to need information on the price value equation and what motivates organic purchasers.
Summary of Key Findings

What makes a committed organic shopper

High level of Education + Trust = Increased Purchases across multiple categories

Even more important than information about consumers’ motivations, Retailers and Processors need enhanced ways to get the information out to consumers.
Hurdles - Education

Need for organic 101 education will not go away.

Constant movement in and out of organic
Only 3 in 10 Parents ‘Very Familiar’ with USDA Organic Seal

Q31: How familiar are you, if at all, with the USDA seal used on organic products?

<table>
<thead>
<tr>
<th>Group</th>
<th>Very familiar</th>
<th>Somewhat familiar</th>
<th>Not very familiar</th>
<th>Not at all familiar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Parents (n=1197)</td>
<td>27%</td>
<td>34%</td>
<td>26%</td>
<td>2%</td>
</tr>
<tr>
<td>Organic Buyers (n=874)</td>
<td>38%</td>
<td>45%</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>Newly Organic (n=387)</td>
<td>22%</td>
<td>47%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>Experienced organic (n=249)</td>
<td>13%</td>
<td>19%</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Seasoned organic (n=248)</td>
<td>46%</td>
<td>47%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>Organic Influencers (n=155)</td>
<td>71%</td>
<td>24%</td>
<td>13%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Base: Total parents (n=1197)
One thing is clear: there isn’t clarity with consumers when it comes to an understanding of natural and organic terms. One third of all consumers don’t know the truth about organic standards, as it relates to organic foods they see in retail outlets.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Total agree</th>
<th>Total don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foods/beverages can be labeled as 'natural' so long as they meet a government standard</td>
<td>59</td>
<td>25</td>
</tr>
<tr>
<td>Foods/beverages can be labeled as 'organic' so long as they meet a government standard</td>
<td>65</td>
<td>22</td>
</tr>
<tr>
<td>Organic and ‘natural’ mean the same thing to me when I see them on product packaging</td>
<td>28</td>
<td>18</td>
</tr>
<tr>
<td>Organic and/or natural foods/beverages are more likely to make me sick since they don’t contain preservatives or pesticides</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>I can trust the term ‘natural’ when I see it on labels</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>I can trust the term ‘organic’ when I see it on labels</td>
<td>45</td>
<td>30</td>
</tr>
</tbody>
</table>

SOURCE: MINTEL "Organic Food and Drink Retailing U.S. Report 2009" produced in collaboration with SPINS
Organic farmers build healthy soils without the use of toxic and persistent pesticides, helping to combat climate change and reduce the toxic load in the environment.
Media Outreach

- Education and Outreach
  - Back to basics – Women’s magazine coverage

- Clarification and Response
Promising Policy Initiatives

- Halo of the First-Lady
What Can USDA Do to Enhance Data for Processors and Retailers?

But More Importantly, What Can USDA Do to Enhance Information and Education to Consumers about Organic?