Understanding the Organic Consumer Opportunity

February, 2019

Overview

QUANTIFYING THE ACTUAL OPPORTUNITY

THE ORGANIC CONSUMER IN 2020?

IMPLICATIONS FOR PRODUCERS AND RETAILERS?

FUTURE OPPORTUNITIES

Quantifying the Opportunity


Early
Majority
Late
Majority
Early
Adopters
Laggards
Innovators

Consumers Gather Information Across Digital/Social Platforms (not always accurately)

When Evaluating Organic Data points….

Is the data actual sales, projections or consumer estimates?

Are we talking total store, perishables or just produce?

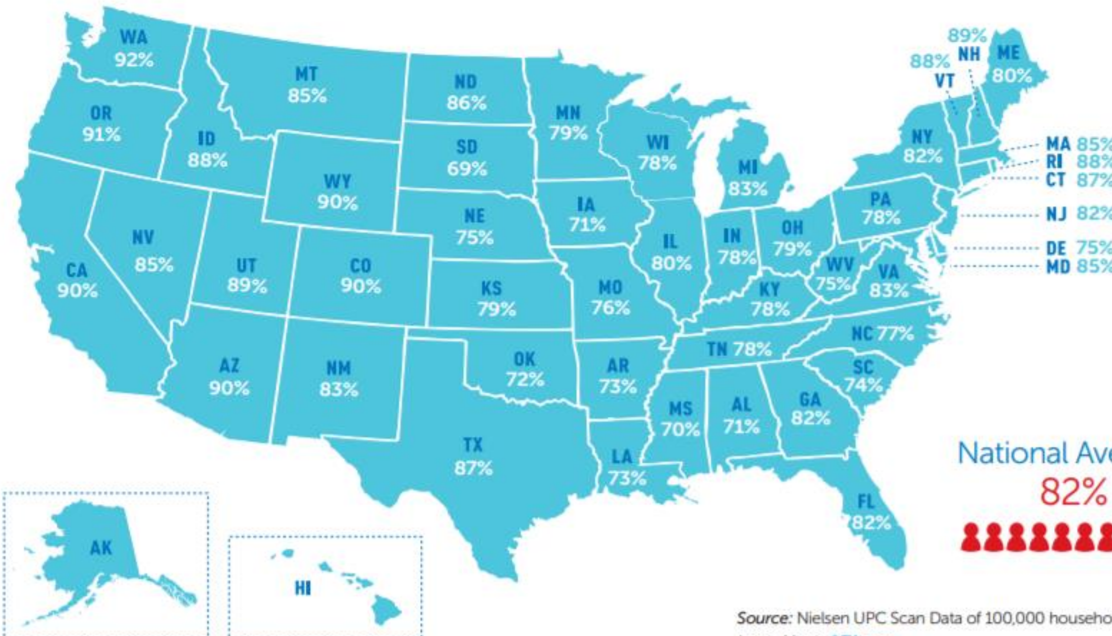
Does the data represent "ALL" consumers or "Organic" consumers?

If only Organic, are we talking to heavy or light users? Both?

Where is the opportunity?

- Getting committed shoppers to buy more
- Get light/non users to purchase

Percentage of U.S. Households Purchasing Organic Products



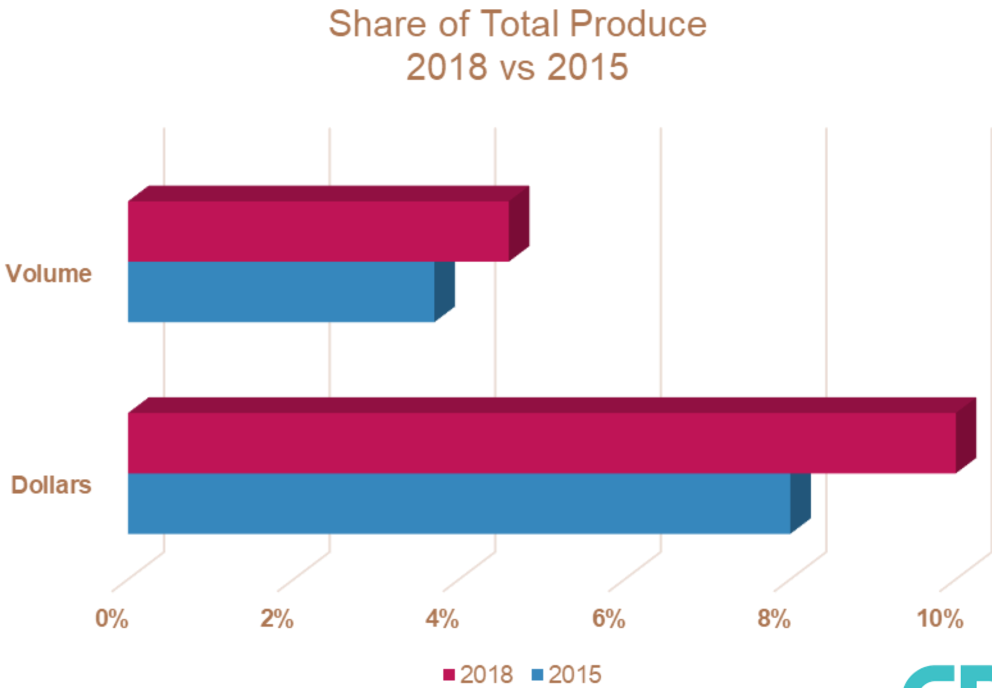
Data not available for AK + HI

National Average:
82%

Source: Nielsen UPC Scan Data of 100,000 households, 2016

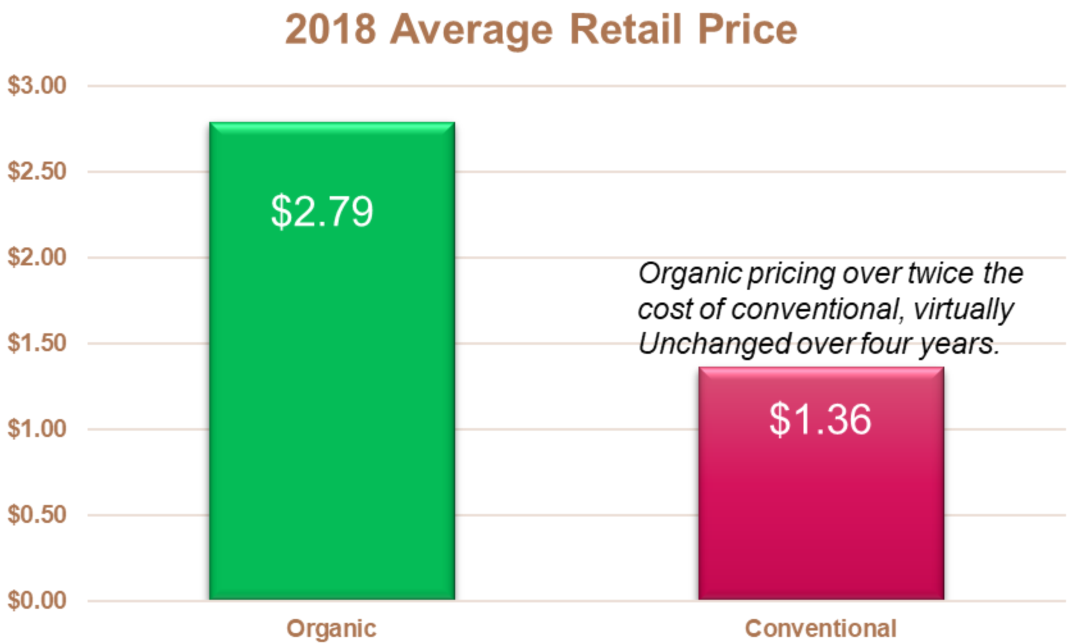
Learn More: OTA.com

Organic Produce Performance



Source: Category Partners: Total US supermarkets, 52 weeks, Jan-Dec., 2018 vs. 2015

Organic Produce Performance



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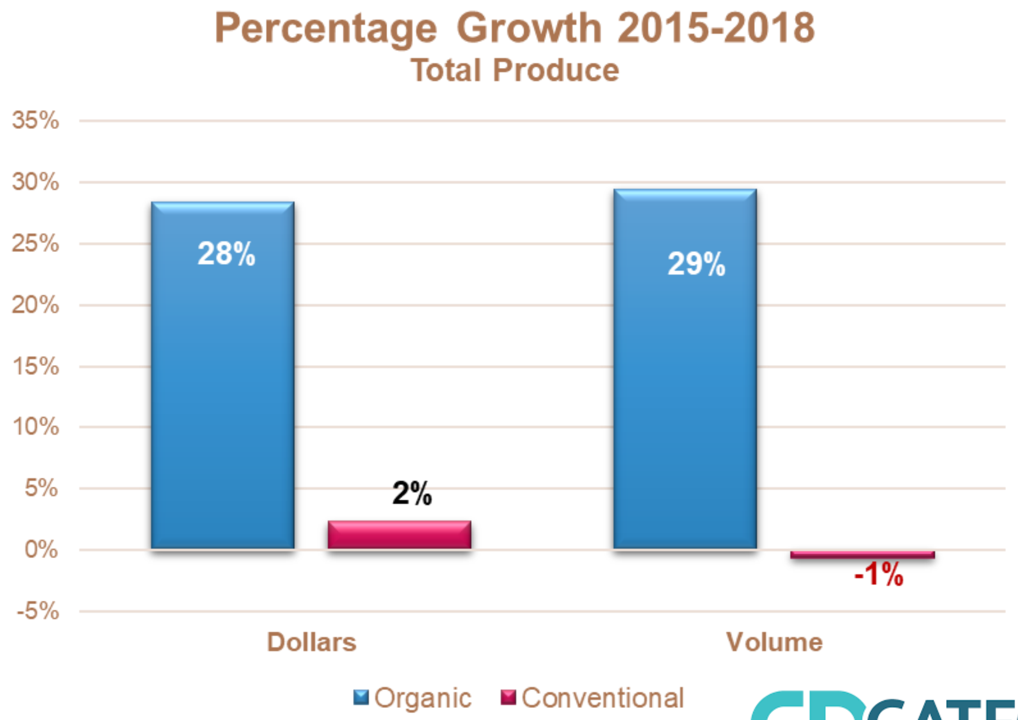
Organic Produce Performance



Source: Category Partners: Total US supermarkets, 52 weeks, Jan-Dec., 2018 vs. 2015

Organic Produce Top 10 Categories

Packaged salad dollars nearly 3X the #2 category

Category	2018	$ Chg.	% Chg.
PACKAGED SALADS	1,156,155,970	75,886,305	7%
APPLES	394,091,219	45,876,320	13%
CARROTS	339,579,903	32,003,400	10%
POTATOES	312,321,535	86,686,330	38%
BANANAS	302,817,028	102,761,878	51%
STRAWBERRIES	296,618,490	93,903,894	46%
LETTUCE	259,364,737	27,824,527	12%
BLUEBERRIES	258,569,705	146,763,740	131%
TOMATOES	242,005,696	29,876,485	14%
GRAPES	169,079,627	32,535,025	24%

Note: Organic spices/herbs omitted

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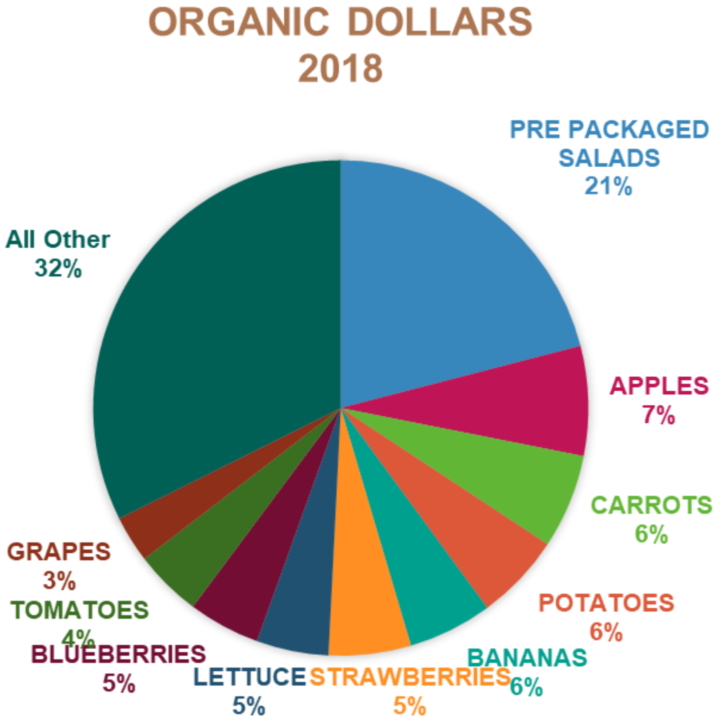
Organic Produce Share

% of total organic



Of 87 Organic categories the top 10 drive over 68% of sales

Note: Organic spices/herbs omitted

Source: Category Partners
Total US supermarkets, 52 weeks, Jan-Dec.

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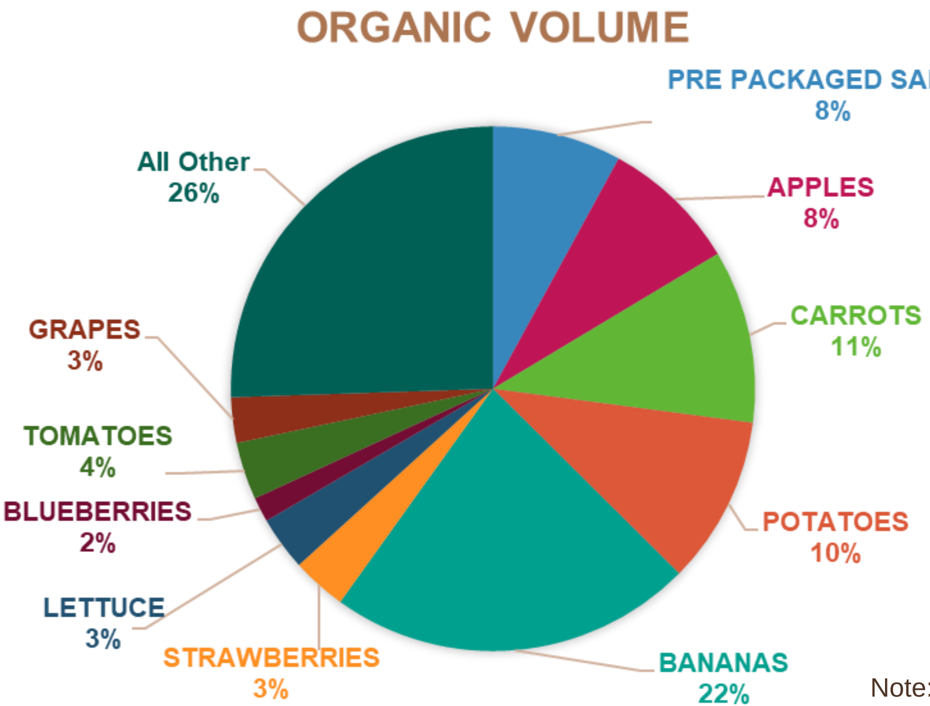
Organic Produce Performance



Top 10 Organic Categories drive nearly 75% of volume

Note: Organic spices/herbs omitted

Source: Category Partners
Total US supermarkets, 52 weeks, Jan-Dec.

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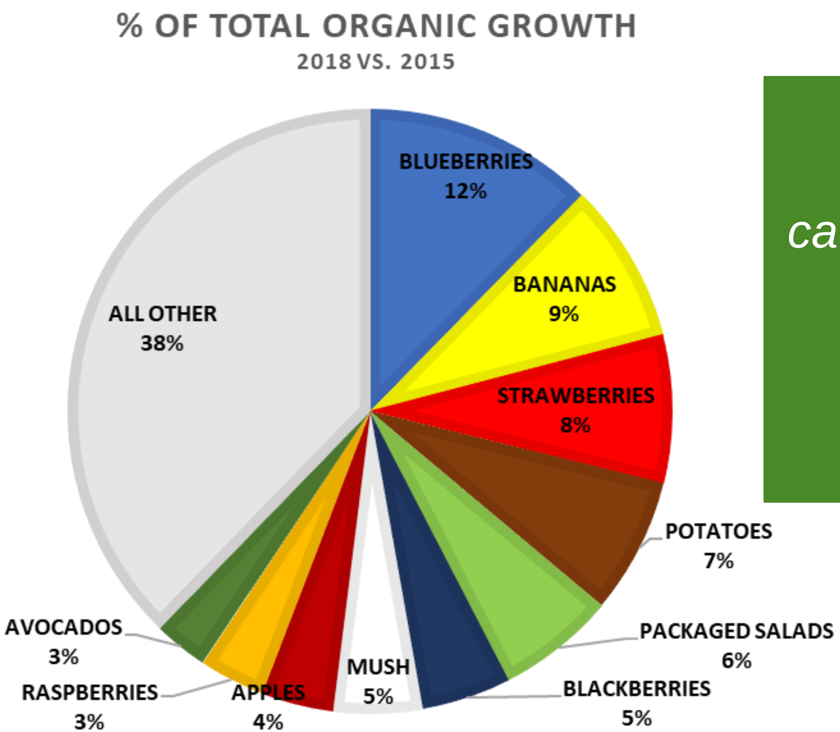
Organic Categories Driving Growth



The 10 top growth categories drove 62% of dol. Growth.

Top 5=42%

Source: Category Partners
Total US supermarkets, 52 weeks, Jan-Dec.

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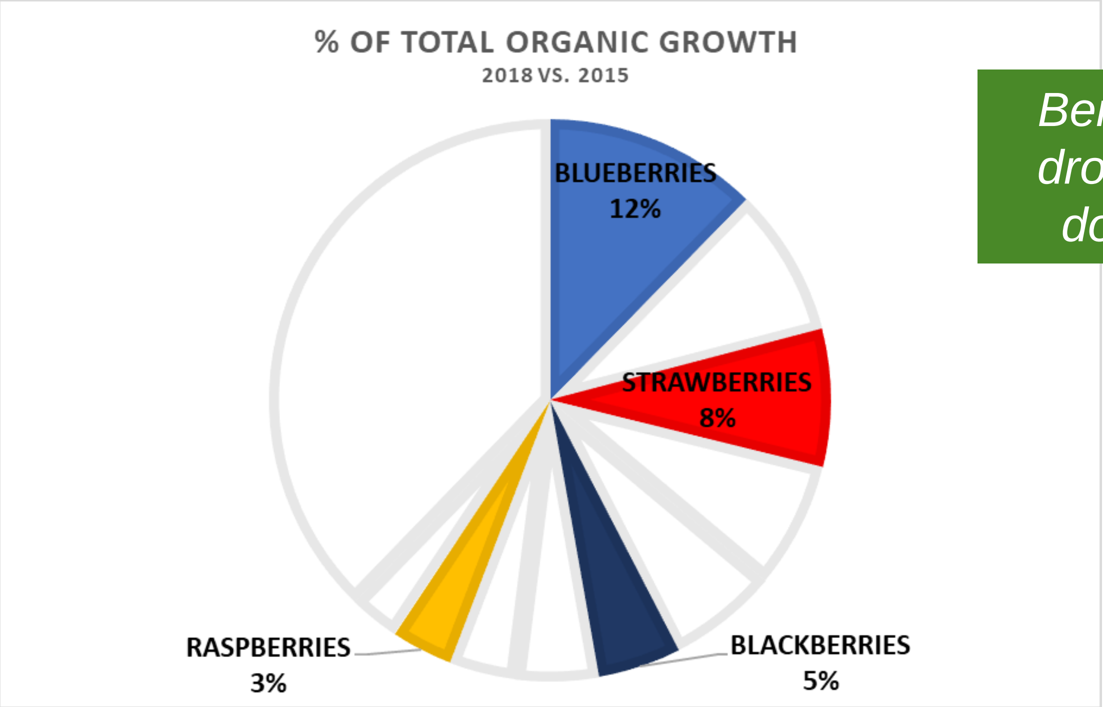
Organic Dollar Growth--% of Total



Berries alone drove 28% of dol. growth

Source: Category Partners
Total US supermarkets, 52 weeks, Jan-Dec.

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Top 10 Percentage Growth Organic Categories

Category	% Chg.
SPECIALTY MELONS	453%
PAPAYAS	422%
BRUSSEL SPROUTS	265%
KIWI	246%
REMAINING PEPPERS	234%
CORN	219%
LIMES	168%
BLACKBERRIES	137%
BLUEBERRIES	131%
TANGERINES	122%

Source: Category Partners: Total US supermarkets, 52 weeks, Jan-Dec., 2018 vs. 2015

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Largest Organic Dollar Declines

2018 vs. 2015

14 of 87 Organic categories had $ declines

Category	2018	$ Chg.	% Chg.	Conv.
KALE	74,629,688	-9,556,228	-11%	-15%
PEARS	28,546,306	-4,322,747	-13%	-15%
DATES	2,104,888	-1,830,574	-47%	-34%
CANTALOUPE	3,946,331	-463,111	-11%	-10%
GRAPEFRUITS	6,870,283	-307,659	-4%	-12%
APRICOTS	1,199,159	-248,277	-17%	-19%
MIXED BERRIES	636,030	-148,994	-19%	+37%
EGGPLANT	3,773,449	-89,254	-2%	-9%
POMEGRANATE	3,424,639	-86,257	-2%	+2%
PUMPKINS	794,046	-53,302	-6%	+39%

Source: Category Partners: Total US supermarkets, 52 weeks, Jan-Dec., 2018 vs. 2015

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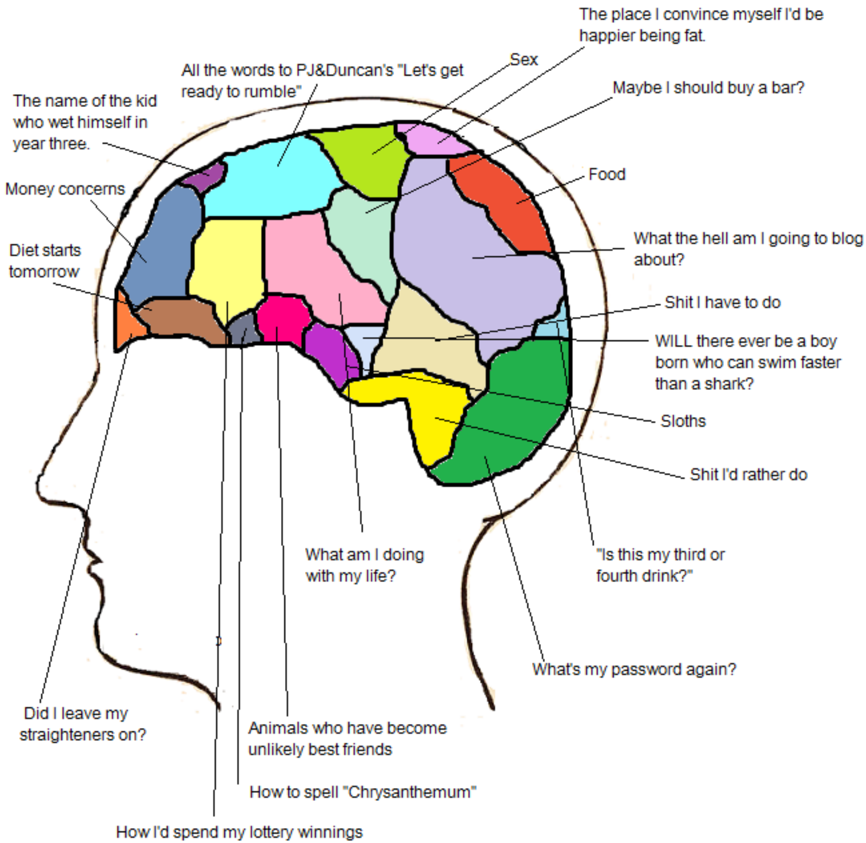
Organic Sales Data Topline

- Strong growth in dollars and volume
- Only driver for total produce
- Dramatically outpacing conventional
- Prices remain high compared to conventional
- Starting point: Top 10 categories
- Lots of new products hitting market
- Strong evidence of organic item expansion

Consumers

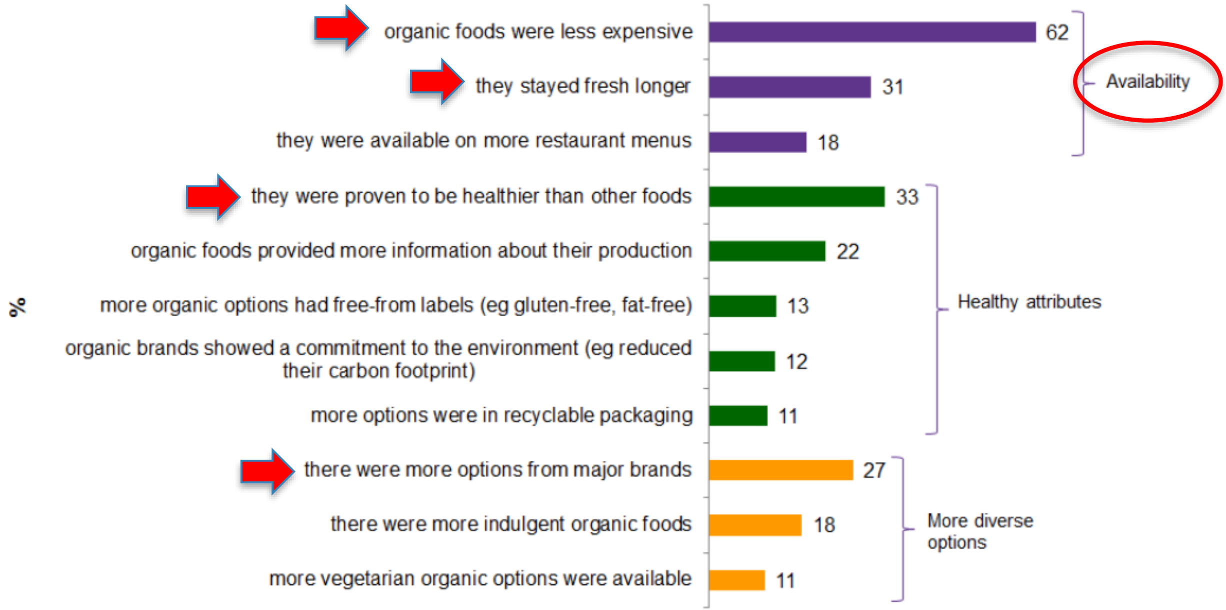
The Consumer Behavior Challenge



Challenges of Understanding Consumers

- Inclined to describe aspirational vs. actual behavior
- Cannot accurately report past purchases
- Even worse at predicting future behavior
- Difficult to quantify volume relative to total
- Especially true when dealing with “trending” markets/products

"I would purchase more organic foods if..."

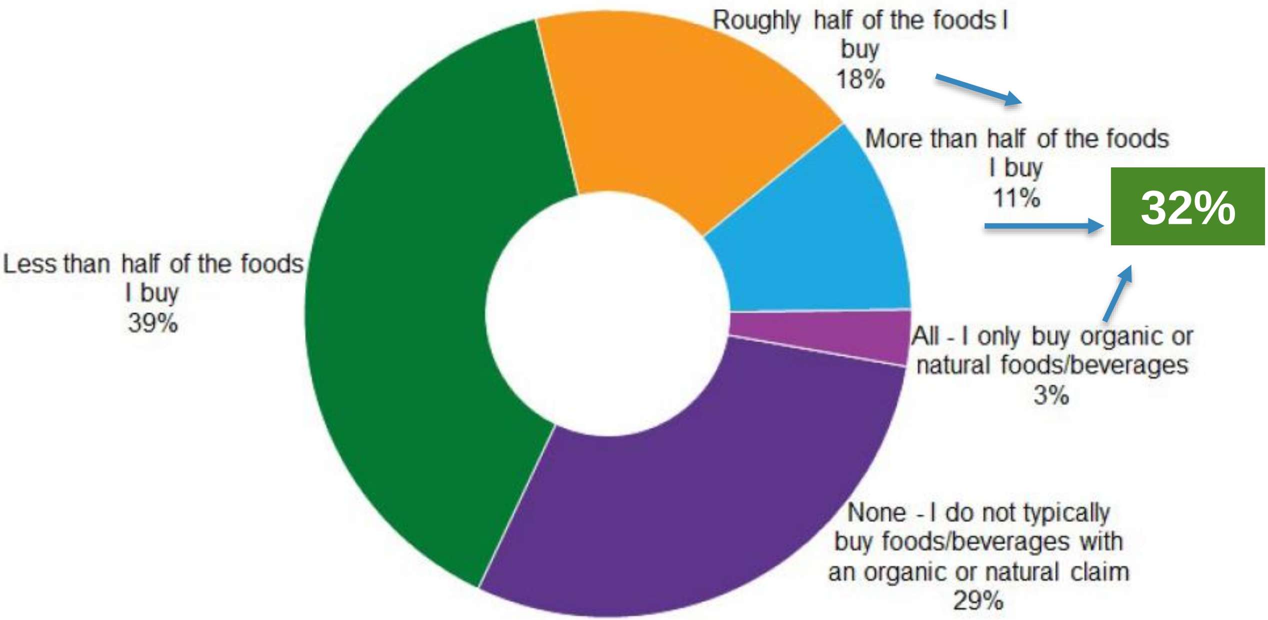


Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

MINTEL

"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"



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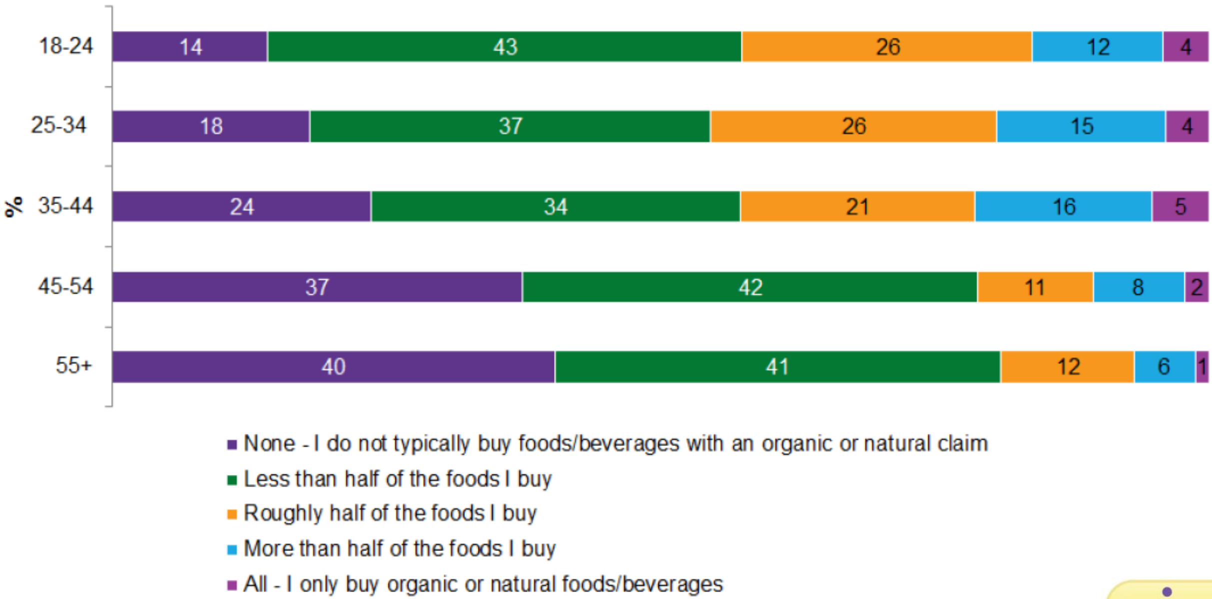
MINTEL

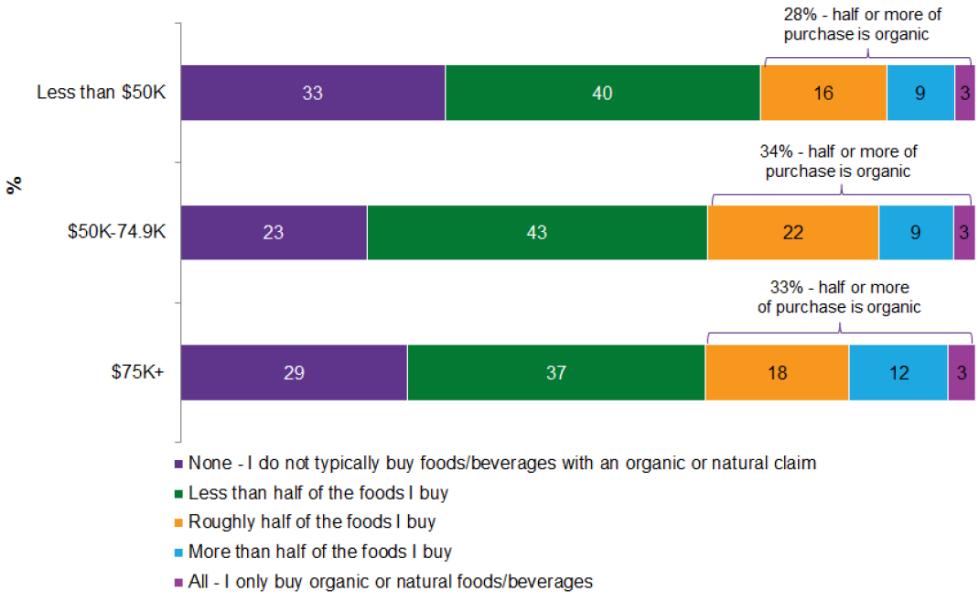
Age a factor in reported organic purchases

"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"



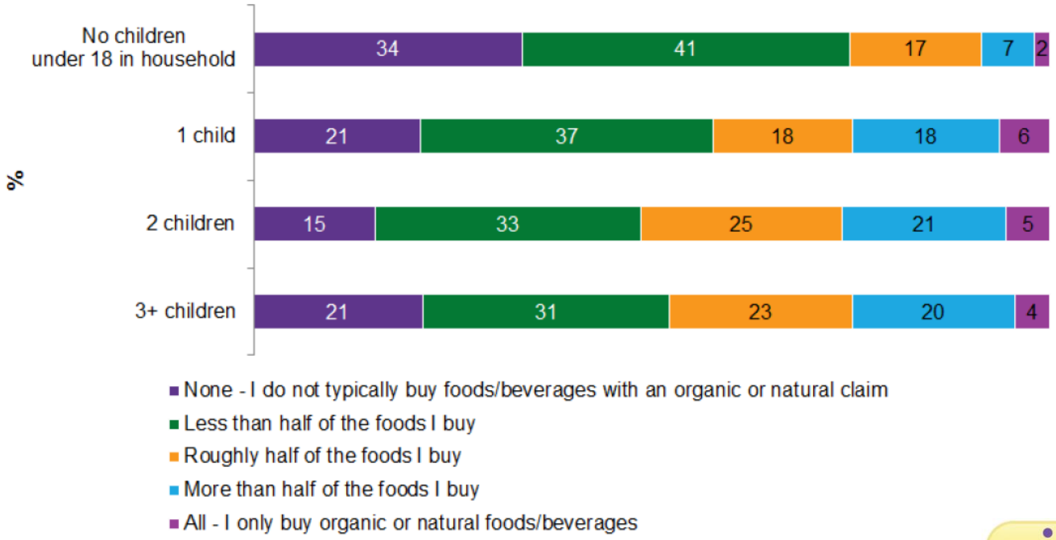
Income a factor in organic purchases

"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"



Household Size Matters

"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"



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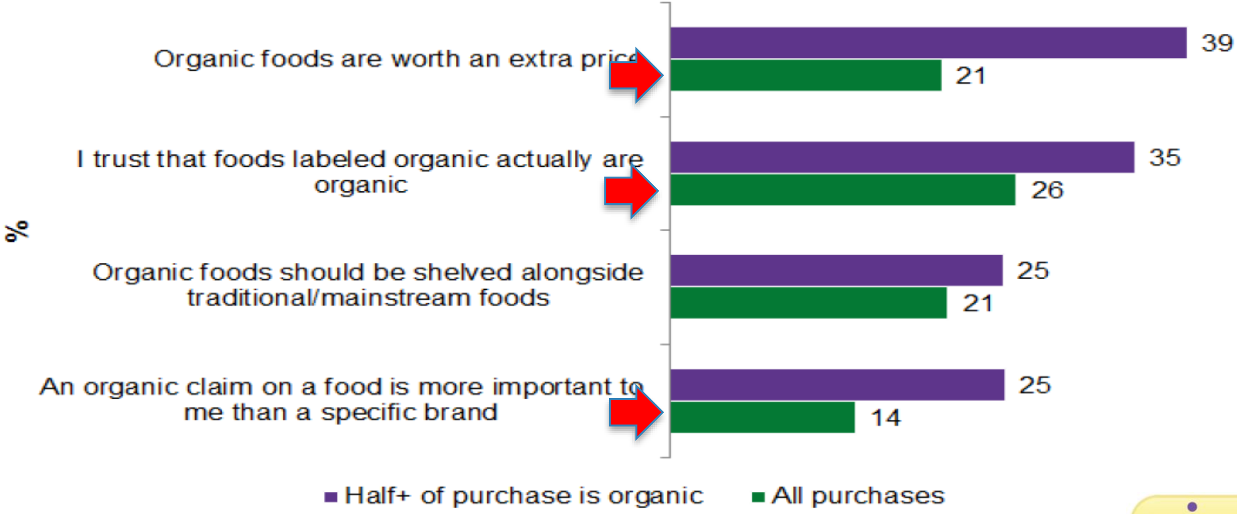
Source: Lightspeed/Mintel

The Price Barrier is Real

"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"
"Which of the following statements do you agree with?"



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

MINTEL

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Organic Buyers Think Differently

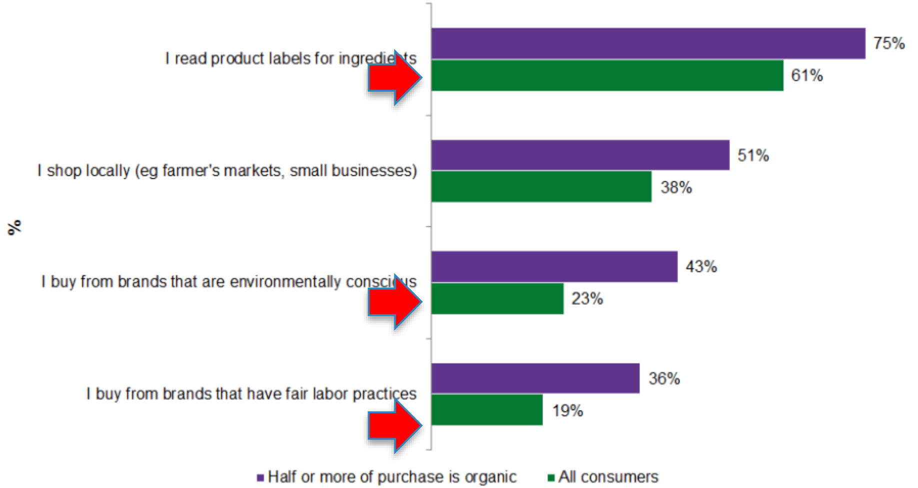
"Which of the following statements do you agree with?"
"Which of the following apply to your organic food/beverage purchase habits?"

Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

Characteristics of the "Committed"

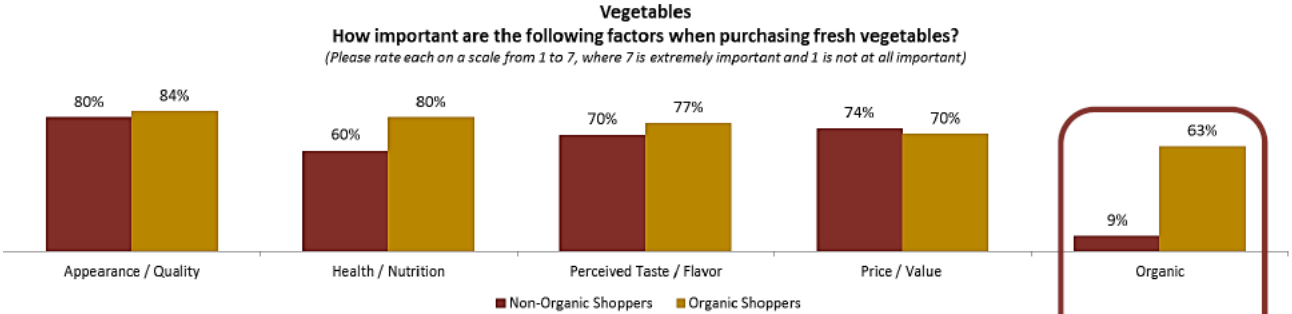
"On a typical grocery shopping trip for your household, what portion of your food or beverage purchases is organic or natural?"
"Which of the following statements describe you?"

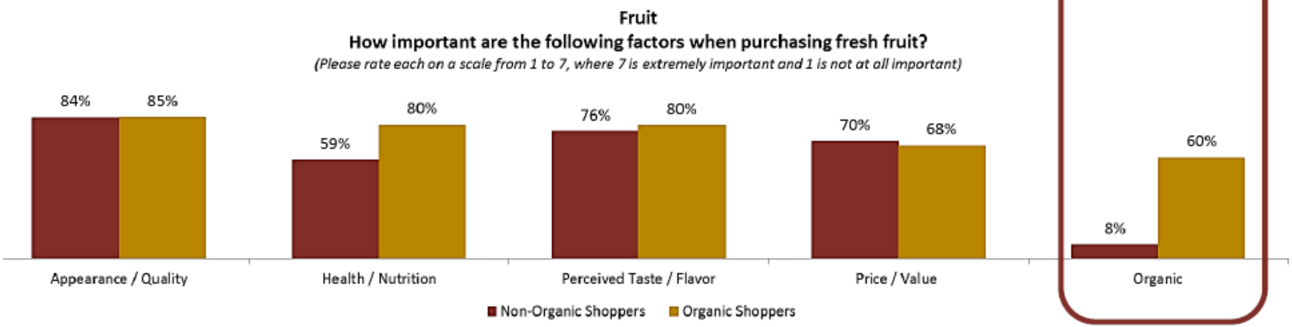


Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

Light user decision tree starts with quality, flavor and value BEFORE organic





Source: Category Partners 2017 Barriers to Purchase Study, June

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Implications for Producers & Retailers

Organic Consumer Progression: 2009

	Trial	Transitional	Regular	Committed
Purchase	Accidental	Health Condition	Good For Me/Family	
Rationale	Promotion	Diet/Allergy	Good For Me/Family	
Driver	Price	Price/Behavior	Good For Me	Good For World
%Population	55%	25%	17%	3%
% of Organic	7%	13%	35%	45%

80% = 20% of purchases

Source: Spins Loyalty Card Shopper Database, 2009

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20% = 80% of purchases

Source: Spins Loyalty Card Shopper Database, 2009

Organic Consumer Progression: 2009

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Driver	Price	Price/Behavior	Good For Me	Good For World
%Population	55%	25%	17%	3%
% of Organic	7%	13%	35%	45%
Categories	Entry Point	Partial Meals	Complete Meals	Complete Basket
	Produce Meat/Seafood	Meat/Seafood Eggs Tea	Yogurt Pasta/Sauce Snacks Vitamins	Personal Care HH Cleaners Supplements Meal Replacements

Produce is the Organic Consumer Entry Point

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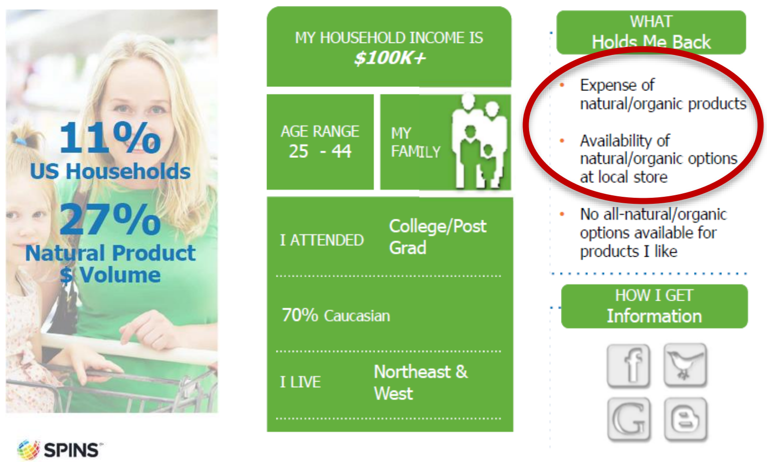
SPINS® Consumer Profiles

Trial	Transitional	Regular	Committed
Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers

True Believers



SPINS® Consumer Profiles

Trial	Transitional	Regular	Committed
Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers

Healthy Realists

SPINS

MY MEDIAN INCOME IS *$70K*

AVG. AGE *39*

MY FAMILY

I ATTENDED *College+*

75% Caucasian

I LIVE *Throughout US*

WHAT Holds Me Back

- Availability of natural/organic options at local store

HOW I GET Information

Enlightened Enviro's

SPINS

MY HOUSEHOLD INCOME IS *$75K*

AGE RANGE *55+*

MY FAMILY

I ATTENDED *Post Grad*

77% Caucasian

I LIVE *Northeast & West*

WHAT Holds Me Back

- Expense of natural/organic product
- Availability of natural/organic options at local store

HOW I GET Information

- TV, celebrity chefs
- Product certification labe

SPINS® Consumer Profiles

Trial	Transitional	Regular	Committed
Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers

Strapped Seekers

MY MEDIAN INCOME IS
$45K

MY AVG. AGE ***45***

MY FAMILY

I ATTENDED ***All Levels of School***

63% Caucasian

BUT I SKEW *Non-White*

I LIVE ***Skew South***

WHAT Holds Me Back

- Expense of natural/organic products
- Availability of natural/organic options at local store
- No all-natural/organic options available for products I like

HOW I GET Information

SPINS

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SPINS® Consumer Profiles

Trial	Transitional	Regular	Committed
Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers

Indifferent Traditionalists

Aren't likely to buy Natural/Organic as they don't see a reason to change

- Median Age 62
- Median HH Income $48K
- Avg. HH size 1-2

Struggling Switchers

Know they should lead a healthier lifestyle, but finding low price is priority

- Median Age 38
- Median HH Income $53K
- Avg. HH size 5+

Resistant Non-Believers

Prefer to stick with the tried and true options they know their families accept

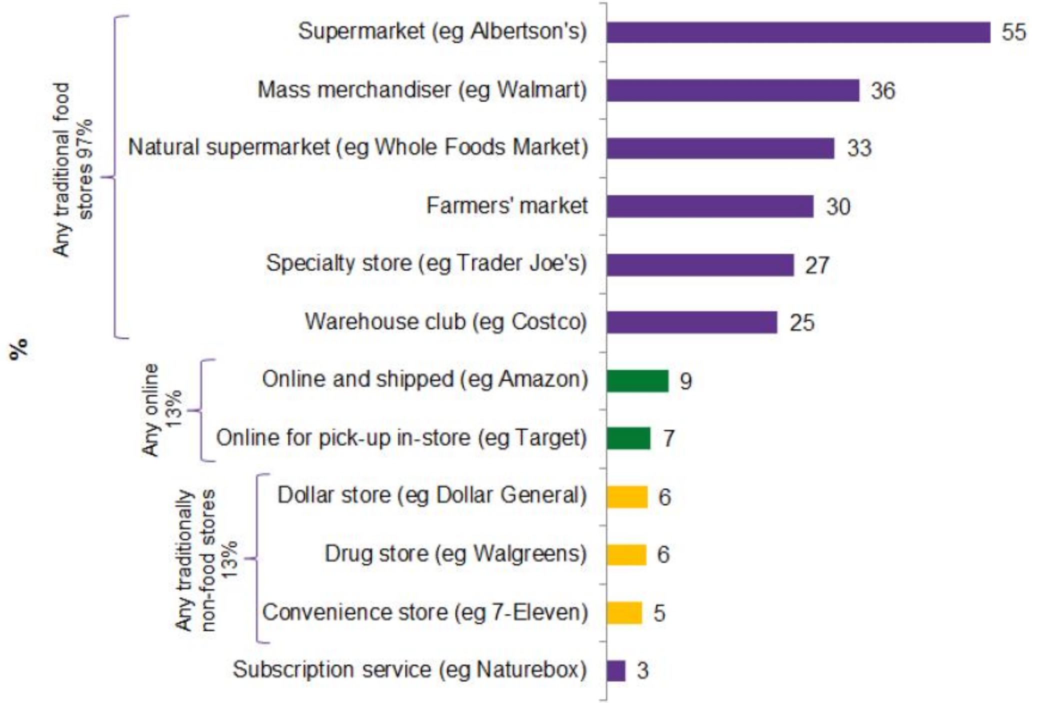
- Median Age 53
- Median HH Income $50K
- Avg. HH size 2-4

SPINS Consumer Progression: 2019

	Trial	Transitional	Regular	Committed
	Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers
Purchase	Accidental	Health Condition	Good For Me/Family/World	
Driver	Price	Price/Behavior	Good For Me	Good For World
%Population SPINS	55% **38%**	25% **30%**	17% **22%**	3% **11%**
% of Organic SPINS	7% **23%**	13% **21%**	35% **29%**	45% **27%**

33% = 56% of purchases

"Where do you typically purchase organic foods or beverages?"



Base: 1,415 Internet users aged 18+ who purchased organic food

Source: Lightspeed/Mintel

SPINS® Consumer Progression: 2019

	Trial	Transitional	Regular	Committed
	Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers
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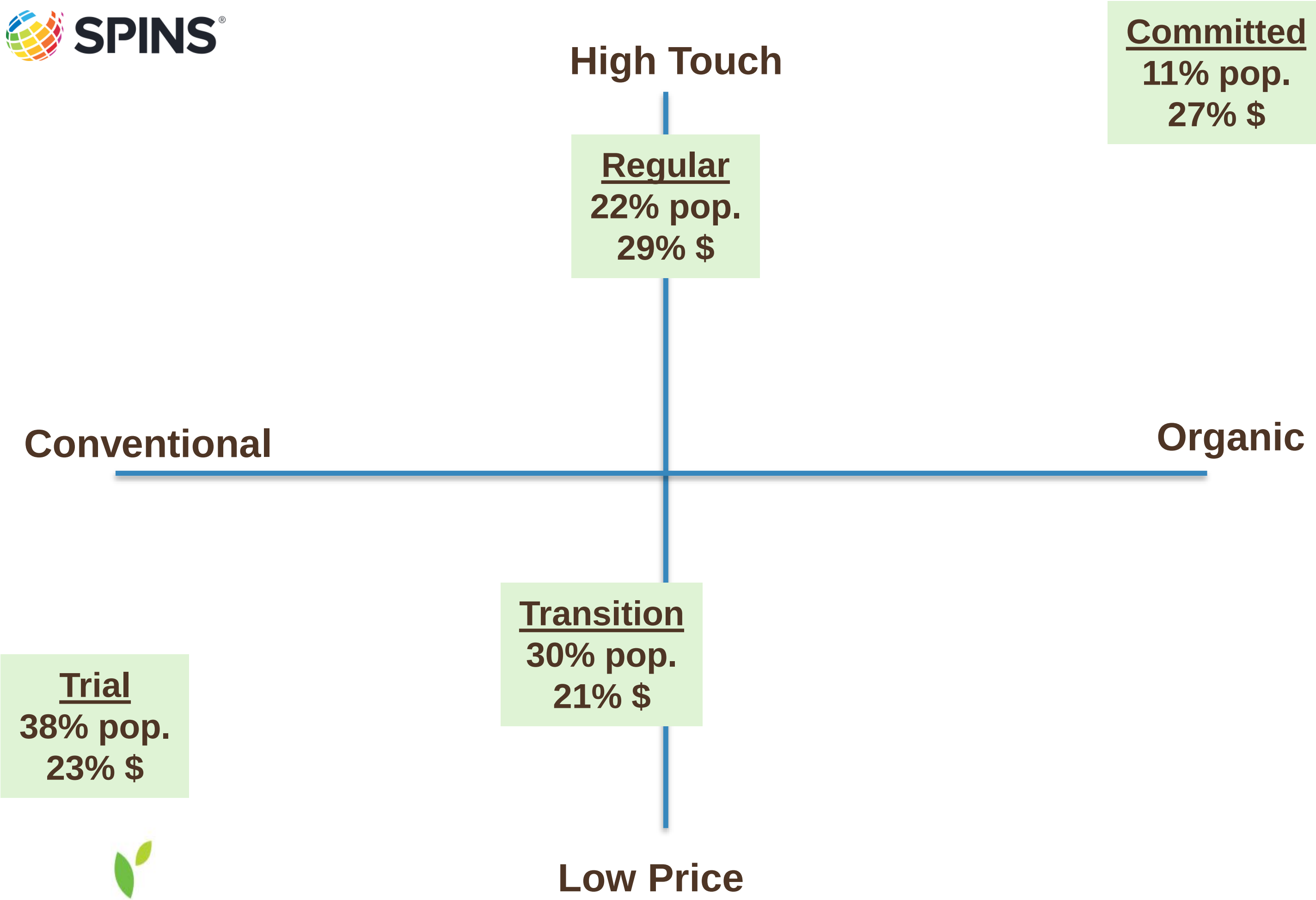


Committed
11% pop.
27% $
High Touch
Regular
22% pop.
29% $
Conventional
Organic
Transition
30% pop.
21% $
Trial
38% pop.
23% $
Low Price

High Touch

Regular
22% pop.
29% $

Committed
11% pop.
27% $

Conventional

Organic

Transition
30% pop.
21% $

Trial
38% pop.
23% $

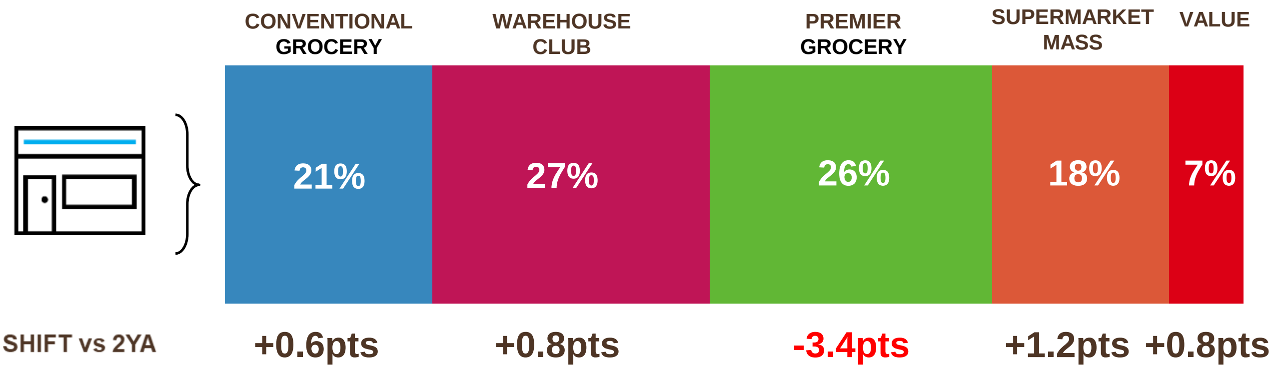
Low Price

For Discussion Only

The Opportunity

Organic Share is Evolving

Organic penetration lifts non-traditional segments



Source: Nielsen Answers On-Demand Syndicated Panel, 52 weeks ending 07/29/2017 *UPC Coded

Light vs. Heavy Organic Consumers

Light	Heavy
Supermarket/Mass shopper	Natural food shopper
Checks Prices/value	Compares organic options
Compares quality	Only considers organic
Focused on convenience	Focuses on assortment
Don't hunt for organic	Specifically hunts
Likes packaging	Evaluates packaging

	Trial	Transitional	Regular	Committed
	Non-believers, Traditionalists	Struggling switchers, Strapped seekers	Healthy Realists Enlightened Enviros	True Believers
%Population	38%	30%	22%	11%
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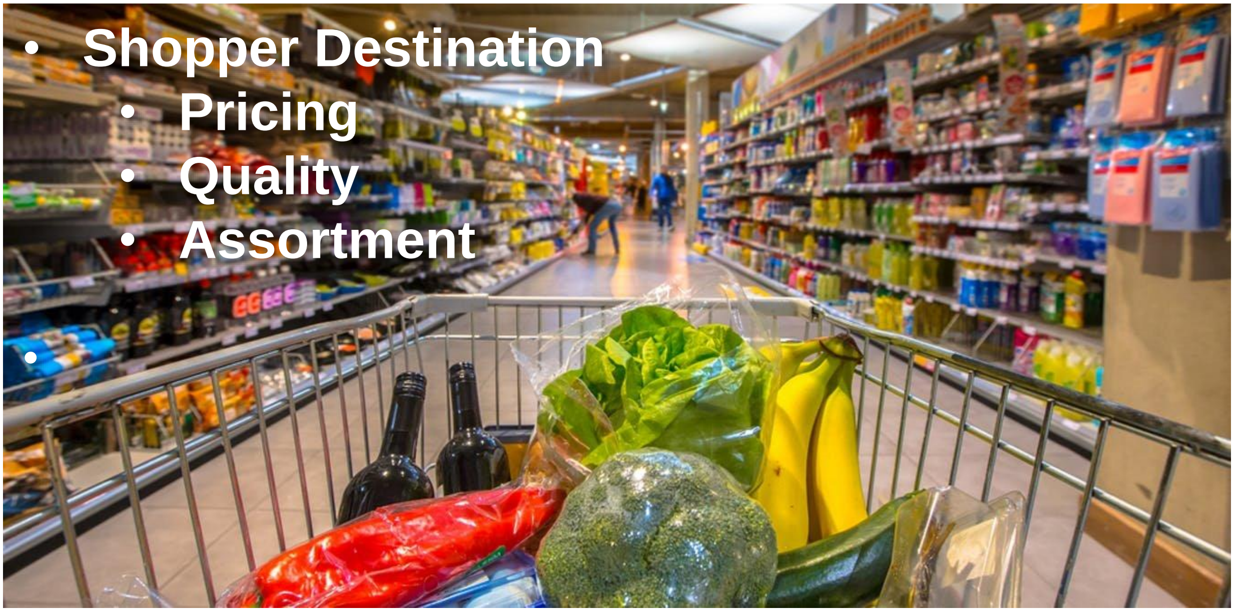
Organic Consumers

- The single most important factor in heavy/light organic food shoppers baskets?



- **Shopper Destination**
  - **Pricing**
  - **Quality**
  - **Assortment**

Organic Evolution

Light/Med. Barriers	Opportunity
High Prices	Price shifts…
Limited assortment	More choice
Inconsistent quality	Same as conventional
Bulk only	Fantastic Packaging
Small displays	Expanded footprint

A Simple Real World Example

From This…

$6.99-3 lb.

$2.33 lb.

#1 Selling Branded Organic Bag in the US

Shifting Consumer Choice


DAISY GIRL
ORGANICS


PEARS

Ongoing Evolution in Organic Market

Organic Supply is altering consumer purchase behavior

- Lower price perception broadens the consumer base
- Increased items expands consumer interest
- Increased distribution improve purchase opportunities
- New packaging enhances visibility/purchases

- Big wins by trading consumers up!

Early Majority
Late Majority
Early Adopters
Laggards
Innovators

Special Thanks

Thank You!

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