

Organic Produce Positioned for Growth

Despite inflation weighing in, the core consumer is keeping the organic category hopping.

BY MIKE DUFF

Organics are navigating unsettled macroeconomic and consumer waters, but coming off gains made during the COVID-19 pandemic, they are still positioned for growth.

Inflation, many retailers and growers will tell you, has pushed some, although not all, occasional organic consumers out of the market as they seek to stretch their food budgets with conventional products. However, the consensus is that inflation has not dented core organic consumer enthusiasm, and they will pay more to address their wellness concerns.

The core consumer is likely growing. According to McKinsey & Co. research, well over 20% of millennials say that organics are a very important consideration when they're buying food or beverages. The same is true of about 15% of Gen Xers and Gen Zers. Boomers trail, with a little more than 5% prioritizing organics.

Overall, according to Statista, the pandemic produced a boost in organic sales. In its research, organic sales jumped from \$50.07 billion in 2019 to \$56.5 billion in 2020 and grew again in 2021, reaching \$57.5 billion.

Argus Farm Stop, with three locations in Ann Arbor, MI, is a retailer founded in support of local agriculture. Although supporting local Michigan farmers is the main mission of the business, Dani Cavagnaro, Argus produce manager, says organics get consideration as well.

"We try to give an organic option for every item," she says.

Cavagnaro is among those who point out that some growers are following organic practices but are not seeking certifications because of the costs involved with addressing regulations and standards. However, she says, Argus continues to make a point of letting customers know about the growing practices of local growers so they understand their purchasing



options and how they are supporting local agriculture.

From the Argus perspective, consumers should be able to make mindful decisions about what food they are shopping.

"We offer the organic option, but the local aspect is overall more important for us," Cavagnaro says. "But it's also about balance. Both things are important, but there are just different priorities."

BALANCING THE ASSORTMENT

When Adam Shapiro opened the Green Way Market of Maplewood, NJ, in the fall of

2021 in the same building that used to house a King's Food Market, "we expanded organic" and rebalanced the assortment such that all greens became organic. At the same time, he boosted the presentation of plant-based food with a vegan customer in mind.

Organics continue to have a significant role at Green Way, including promotionally. Green Way is a store concept built around well-priced natural and organic food. A December circular among other items features private label Green Way Organic Salads in Baby Spinach, Spring Mix, Arugula and 50/50 mix at 5 ounces at \$3.49.

THE PRICE FACTOR

Sun Belle has seen rising prices cause consumer skittishness.

"Recent economic conditions, particularly inflation, have caused some consumers to purchase lower-priced, conventional berries rather than organic," says Janice Honigberg, president of Sun Belle Inc., Schiller Park, IL.

"At the same time, many consumers strongly prefer organic berries and have stayed with them. Price can absolutely affect sales of organic as well as conventional berries. Promotions on

berries are tremendously effective in increasing consumer purchasing."

Still, older pricing trends may reassert themselves.

"We have seen the gap between organic and conventional pricing reduce year after year," says Travis Agresti, president of Green Earth Organics, Mississauga, Ontario. "This is due to the demand of organic produce and the investment in the farming and production of organic and developing ways to grow and harvest more cost efficiently." **pb**

In both cases, and in other store settings, retailers are aligning organics with their overall strategies as the category becomes an established option. Stores that specialize in organic produce are going to be overwhelmingly devoted to the category. At the same time, more conventional food retailers are looking at organic as part of a larger trend based on wellness.

CONTINUED GROWTH

Some growers and retailers have pointed to inflation as putting a bit of a damper on organic produce growth, as consumers weigh purchase costs against the benefits they see in more naturally raised fruits and vegetables. However, the committed core consumer continues to purchase consistently, says Ken Christopher, executive vice president, Christopher Ranch, Gilroy, CA.

“While there was a lot of fluctuation in demand for conventionally grown garlic, both fresh and peeled, our organic category stood out for its resiliency,” he says. “Our organic program has managed to not only hold its own, but also grow between 5% to 10% per year since the start of the pandemic. Pre-peeled California organic garlic products continue to have the largest increase in demand year over year.”

Travis Agresti, president of Green Earth Organics, Mississauga, Ontario, says the company is coming off gains driven by the pandemic.

“We have seen an increase in the demand for organic produce over the past few years, no question,” he says. “Demand grew during the pandemic, with consumer focus being on healthier alternatives — apples, berries and other fruits being the biggest volume items.”

Committed consumers and shoppers who are less price sensitive among those who mix organic and conventional purchasing have kept the category growing, Agresti says.

“Supply is expanding every year, as can be seen in the stats of organic sales every year,” he says. “We are adding organic acres as fast as we can get them certified and start growing.”

Berries are another product category where organics find support.

“Organic demand has grown dramatically, with acreage to match, particularly on blueberries,” says Janice Honigberg, president of Sun Belle Inc., Schiller Park, IL. “Consumers are interested in purchasing organic berries. In addition to organic blueberries, we offer organic blackberries, raspberries, strawberries and cranberries as well as organic pomegranate arils.”

Christopher Ranch is also expanding its organic ground, due to rising demand for organic California garlic. “The California drought crisis does offer some barriers in

“We have seen an increase in the demand for organic produce over the past few years, no question.”

—Travis Agresti, Green EarthOrganics

growing as quickly as we’d like, but we’re doing everything we can to harvest more organic garlic every year,” Christopher says. “Recently, our yields and quality of our organic garlic have been fairly good, so that we are experimenting in growing a couple of conventional fields in a more organic manner.”

EDUCATION, SIGNAGE KEY AT RETAIL

Organic Girl, Salinas, CA, one of the participants at the recent New York Produce Show, was in the city to discuss its packaged salad line. James Ferrier, business development manager and Northeast team lead, points to its growth as an indication that the brand has become well-enough established with consumers to give it a leadership position in the organic market.

“We’re an authentic, distinctive and premium brand,” says Ferrier. “Our business continues to grow, outpacing the general

organic market by triple. That’s our focus. That’s the only thing we do, organic salads.”

Supermarkets and grocery stores would do well to help consumers identify organics more easily in stores.

Sun Belle makes sure its packages convey the organic nature of its products.

“At Sun Belle, we pay special attention to making sure that our organic options are easily identifiable to the organic customer, whether they are ‘organic only’ or may be looking for an alternative option to conventional berries at a certain point in time,” Honigberg says. “Our Green Belle logo, both in the name and the color, helps our product capture attention for the organic option.”

Ferrier says that Organic Girl packaging clearly conveys how the company is addressing trends and the diverse needs of the core shopper.

“We have the sexy clamshell,” Ferrier says. “It has more roundish features. And what’s nice about it is that it’s got a little hinge on it,” designed to make firm reclosing simple. Organic Girl package labels use large bold print to identify its Super Greens, with more conventional typeface explaining nutritional information and other notifications, including the package plastic is 100% recyclable and that the product is USDA certified organic.



PREMIUM QUALITY & OUTSTANDING SERVICE

ORGANICS

ORGANIC PRODUCE

Cal-Organic Farms is the largest organic vegetable producer in the United States. Supplying more than 65 year-round and seasonal varieties, we are proud to grow 100% of our produce in the USA.



WWW.GRIMMWAY.COM • WWW.CALORGANICFARMS.COM

Agresti says that organic producers and sellers face a challenge when it comes to packaging and, while conventional providers are up against a similar test, it may be more difficult to find a balance in the natural food case.

“Many organic consumers are package and waste conscious and therefore would prefer not packaged produce or biodegradable bags,” he says. “Although there is still a good percentage that would just rather see any type of packaging so as the product isn’t touched before they purchase and consume.”

In the garlic category, bulk continues to be strong, with organics getting special consideration, Christopher says.

“Consumers tend to prefer bulk garlic, as in their mind’s eye they think of it as being ‘fresher’ or a more authentic way of enjoying garlic,” he says. “That being said, we do offer packaged Christopher Ranch items that offer a lot of convenience for consumers. When it comes to organics, bulk dominates the category. When consumers see that there is an organic option, even at a slightly higher price point, they almost always gravitate towards it.”

“A price differential, compared to conventional garlic, of 10 cents to 20 cents per bulb doesn’t really change demand. Year-over-year demand for all organic garlic categories are well above that of conventional garlic,” he says.

At Organic Girl, “crunchy greens” are like tender leaf but with a bit more heft than, say, spring mix.

“For us, it’s about innovation and bringing different-type salads and lettuces to the forefront,” Ferrier says. “We release an item or two each year.”

The company will bring its next new items out in May.

Ferrier says that, throughout a grocery



store, there are value shoppers looking for discounts, mainstream shoppers going back and forth between premium and value brands and then there is the premium brand shopper. Organic Girl positions its products for premium brand shoppers with items that offer high quality with particular health benefits in a form that’s easy to shop and handle, giving them another reason to spend time in the produce department.

“It’s a great field,” Ferrier adds. “Organics are huge these days.”

Sun Belle is among those organic producers that don’t mind mixing it up.

“We have found that most retailers display berries — both conventional and organic — together. We do see separate organic tables/displays for other products, but berries are

usually displayed together. This works well,” Honigberg says.

What counts for Sun Belle isn’t how strictly organic retailers are but rather how well they merchandise the company’s product.

“There is not a strong preference for organic grocers, as some conventional retailers are doing a terrific job in offering organics consistently and almost all have some organic offerings,” Honigberg says.

On the flip side, Christopher is among those who sees an advantage in merchandising organics together in a separate display.

“Organics should be merchandised separately from conventionally grown produce,” he says. “Different demographics of consumers are looking for different qualities in their produce, with some wanting high-end options

■ CONNECTING ORGANIC TO SOCIAL MEDIA

Price is always a promotional linchpin, but retailers may want to explore various avenues in selling organics, given that the customer base is diverse.

“We have seen that digital, email blasts and social media, and print ads both impact shopping and drive increased demand at store level when promoting. In-store promotions with hot prices are also effective,” says Janice Honigberg, president of Sun Belle Inc., Schiller Park, IL.

“As always in marketing, it is important to stay on top of consumer trends and insights and use messaging and storytelling to tap into what the

consumer values most. When we help them learn something or make them feel something — food purchasing is often tied to emotion — we have a more engaged consumer of our product and our brand.” Sun Belle offers a year-round program of organic and conventional berries, which Honigberg says increases “brand recognition and confidence about quality and freshness.”

Today, we live in a social media world, says Travis Agresti, president of Green Earth Organics, Mississauga, Ontario. As such, marketing organics should include a social media component.

“It would be beneficial to market

organics through social media channels,” he says.

Ken Christopher, executive vice president, Christopher Ranch, Gilroy, CA, encourages retailers to focus on social media. “Generation Z, Millennials, and Gen X are all key groups that are asking more questions about where their fresh fruits and vegetables are coming from. They want to know the whole story, from farm to table, of what they’re feeding themselves and their families.”

“Retailers that partner with farms like Christopher Ranch will find that they can tell the story of their offerings in a comprehensive and educational manner.”

pb

and some that are more price sensitive. In separating organics from standard produce, you give shoppers the ability to quickly make the right selections for their purchasing intent.”

He adds, “Three major retailers stand out when it comes to offering organic California garlic: Whole Foods, Trader Joes, and Costco. These three retailers pull the lion’s share of our organic crop and demand is very consistent year-round, with large surges around the Thanksgiving and Christmas holidays. They are able to command a higher price point, and offer organic California garlic year-round.”

Signage that provides information about health benefits can give organics a big boost.

“While the health message will always be a positive benefit, there has been much discus-

“Nutritional information is less important than clear signage that states both organic certification and country of origin labeling.”

— Ken Christopher, Christopher Ranch

sion at recent produce industry events, SEPC Southern Roots in September, IFPA GPFs in October, and most recently at the New York show, about the psychology of the consumer in their buying and eating habits,” Honingberg says. “The trend of ‘food as medicine’ plays into this and the health halo of berries.”

Agresti says there is growing emphasis on health and wellness and living healthier lives,

as well as demands for transparency and traceability when it comes to what consumers eat.

“I believe as much education and transparency that we can provide to the consumer at the retail level will only increase organic production and sales,” Agresti says.

Retailers should aggressively merchandise organic produce as such, Ranch says.

“Nutritional information is less important than clear signage that states both organic certification and country of origin labeling,” he says. “If a retailer has produce that is both organic and grown here in the U.S., then they can both command higher price points and give consumers exactly what they want. Signage that showcases the growers of the organic produce is also highly effective, as it provides an aura of authenticity to the produce offered.”