

The Organic Trade Association's
— 2009 —
Organic Industry Survey



May 2009

Organic Trade Association
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Researched and produced for the Organic Trade Association under contract by
Lieberman Research Group

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CHAPTER 1 EXECUTIVE SUMMARY

Organic sales in the United States reached \$24.6 billion in sales in 2008. Organic food is the largest segment of organic products, totaling \$22.9 billion in sales and accounting for 93% of all organic product sales.

- The growth rate for food and non-food organic products combined was 17.1% between 2007 and 2008.
- The growth rate for organic food products in 2008 over 2007 was 15.8%. Organic food now accounts for 3.47% of all food products sold in the U.S.
- The growth rate for non-food organic products was 39.4%. This non-food category includes personal care products, nutritional supplements, fiber, clothing, household cleaners, flowers, and pet food.

To develop these estimates, the Organic Trade Association secured primary sales data from over 200 manufacturers, distributors and retailers of organic products at the beginning of 2009. These firms reported on their 2007 organic sales and the percentage sales growth rate for 2008, at both the company and product category levels. Government data and financial reports from public companies were also used to develop the final estimates.

[1-1] Sales of Organic Food and Organic Non-food Products and Growth Since 2007

Type of Organic Product	Sales (\$ Million)				Growth Rate*
	2005	2006	2007	2008	
Food	13,831	16,718	19,807	22,929	15.8%
Non-food	744	938	1,182	1,648	39.4%
Total organic products	14,575	17,656	20,989	24,578	17.1%

* Increase in sales, 2007 to 2008. Source: OTA's Manufacturer/Organic Industry Surveys, 2006-2009, government forecasting models

Distribution of Organic Food and Beverage Sales by Channel

Organic food producers sell to consumers via a variety of channels. National natural and mass-market food chains are the leading channels (each accounts for about one third of sales). Regional natural food chains and independent health food stores are a smaller presence (about 10%).

Organic Non-Food Dollar Sales and Growth

Sales of non-food organic products are growing faster than sales of organic food. At the same time, the scope of non-food products is changing as new product categories and products are introduced to the U.S. market.

Organic non-food sales reached \$1.6 billion in 2008. The largest categories of organic non-food products are supplements, fibers (linen and clothing) and personal care products.

[1.3] Organic Non-Food Sales and Growth Since 2007

	Sales of Organic Non-Food (\$ Million)	Growth Rate*
2005	744	32.5%
2006	938	26.1%
2007	1,182	26.0%
2008	1,648	39.4%

* Increase from prior year. Source: *Manufacturer/Organic Industry Surveys, 2006-2009*

Organic Labeling & Materials Supply

Half of organic producers display the USDA "Organic" seal on their products, a proportion that rises to 83% for companies with organic sales of \$5 million or more. Among companies that don't currently display the seal, 20% have decided to do so in the next three years.

The relatively large firms (organic sales over \$5 million) are more likely than smaller firms to say that use of the USDA seal on labels has helped them generate sales of organic products. However, only about half of the larger firms are of this opinion.

Lack of a dependable supply of organic materials continues to be an important issue for the industry. Forty-one percent of producers say that undependable supplies of organic raw materials limit their ability to generate sales. This is an issue for both large and small producers. No single raw material dominates complaints about supplies. Undependable supplies of organic grains are mentioned most often. Lack of organic sugar is an issue for 11% of companies that manufacture organic food.

CHAPTER 2 ORGANIC MARKET PERFORMANCE

Organic sales in the United States reached \$24.6 billion in sales in 2008. Organic food is the largest segment of organic products, totaling \$22.9 billion in sales and accounting for 93% of all organic product sales.

The growth rate for food and non-food organic products combined was 17.1% between 2007 and 2008. The growth rate for non-food organic products, 39.4%, greatly exceeded that for organic food products (15.8%), reflecting the fact that organic food has had longer to establish itself in the marketplace and that the base of sales for non-food organic products is much smaller than for organic food. The non-food category includes personal care products, nutritional supplements, fiber, clothing, household cleaners, flowers, and pet food.

To develop these estimates, the Organic Trade Association secured primary sales data from over 200 manufacturers, distributors and retailers of organic products at the beginning of 2009. These firms reported on their 2007 organic sales and the percentage sales growth rate for 2008, at both the company and product category levels. Government data and financial reports from public companies were also used to develop the final estimates. (Further details on methodology can be found in Appendix A.)

[2-1] Sales of Organic Food and Organic Non-food Products and Growth Since 2007

Type of Organic Product	Sales (\$ Million)				Growth Rate*
	2005	2006	2007	2008	
Food	13,831	16,718	19,807	22,929	15.8%
Non-food	744	938	1,182	1,648	39.4%
Total organic products	14,575	17,656	20,989	24,578	17.1%

* Increase in sales, 2007 to 2008. Source: OTA's *Manufacturer/Organic Industry Surveys, 2006-2009*, government forecasting models

Organic Food Categories

The leading category in organic food sales remains fruits and vegetables, accounting for roughly 37% of total organic food sales. Sales of organic fruits and vegetables advanced 6.3% over 2007, below the 15.8% sales increases registered by organic food products as a whole.

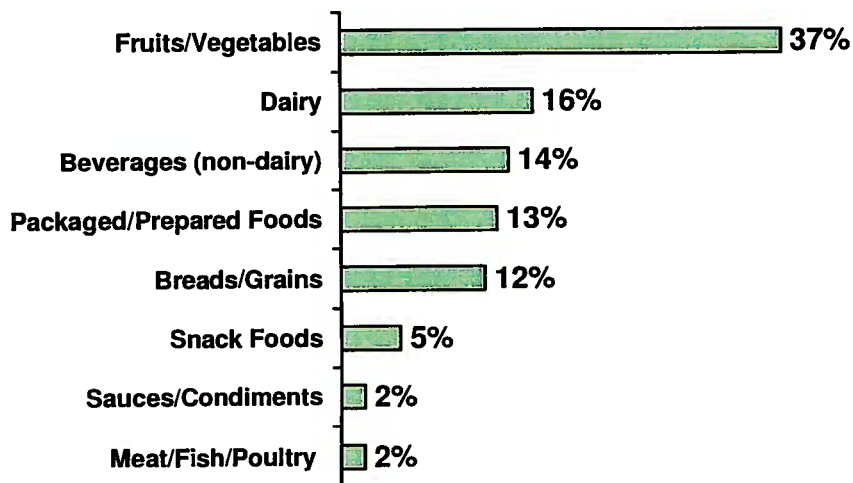
The highest growth areas are beverages and breads and grains, each showing growth in excess of 30% over 2007.

[2.4 Organic Food Category Sales and Growth Rate

Organic Food Category	2008 Sales (\$Million)	Growth Rate*
Fruits/Vegetables	8,503	6.3%
Dairy	3,607	12.7%
Beverages (non-dairy)	3,158	31.5%
Packaged/Prepared Foods	2,904	21.0%
Breads/Grains	2,708	35.3%
Snack Foods	1,110	11.0%
Sauces/Condiments	491	22.8%
Meat/Fish/Poultry	448	12.1%
Total Organic Food	22,929	15.8%

*Change since 2007. OTA's 2009 Organic Industry Survey

[2-5] Organic Food Categories: Share of Total Organic Food Sales

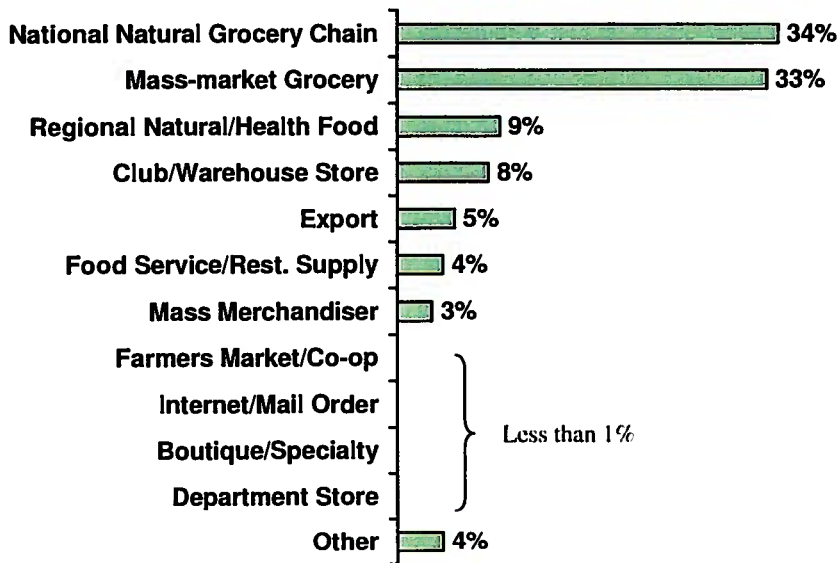


Source: OTA's 2009 Organic Industry Survey

Distribution of Organic Food Sales by Channel

Organic food producers sell to consumers via a variety of channels. National natural and mass-market food chains are the leading channels (each accounts for about one third of sales). Regional natural food chains and independent health food stores are a smaller presence (about 10%).

[2-7] Retail Channels for Organic Food Sales



Source: OTA's 2009 Organic Industry Survey

Organic Non-Food

Sales of organic non-food items (including pet food) reached \$1.6 billion in 2008, reflecting high growth rates (39.4% in 2008) [2.8].

[2.8] Organic Non-Food Consumer Sales and Growth, 2005-2009

	Sales of Organic Non-Food (\$ Million)	Growth Rate*
2005	744	32.5%
2006	938	26.1%
2007	1,182	26.0%
2008	1,648	39.4%

* Increase from prior year. Source: OTA Manufacturer/Organic Industry Surveys, 2006-2009

Private Label Sales

Private label sales are a material portion of revenues for around half of companies selling organic products. Among companies with these sales, private label sales account for close to one-third of organic sales.

Almost half (44%) of companies with private label sales say that their private label sales are growing faster than their branded sales.

[2.10] Private Label Sales

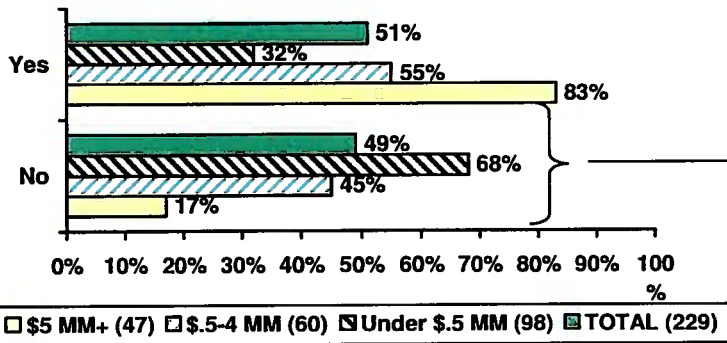
Percent of companies reporting private label sales	52.9%
Share of sales that are private label among companies with these sales	33.8%
Percent of companies with private label sales reporting private label sales growing faster than other organic sales	44.4%

Source: OTA's 2009 Organic Industry Survey

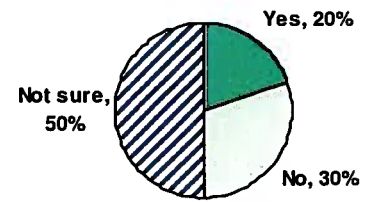
In this latest survey, half of manufacturers (51%) display the USDA Organic seal on one or more of their products. Findings show 32% of companies selling less than \$500,000 in organic products display the USDA Organic seal, compared with 83% of those with \$5 million or more in organic product sales.

Among companies that do **not** currently display the USDA Organic seal, 20% say they intend to begin doing so in the next three years. Another 50% are unsure of their plans.

**[3-1] Whether Companies Display the USDA Organic Seal
(by Volume of Organic Product Sales)**



Whether Company Intends to Display the USDA Organic Seal in Next Three Years

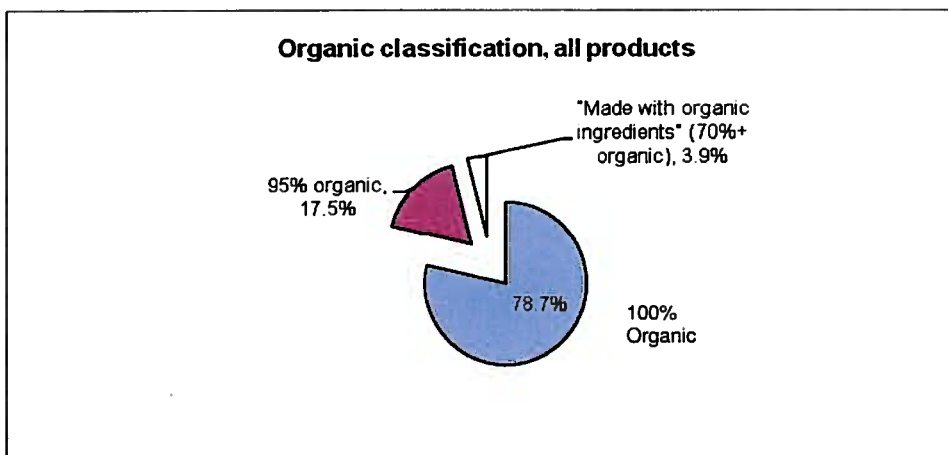


Q: Do you display the USDA Organic seal on any of your products? N=229. Q: Do you intend to display the USDA Organic seal on any of your products in the next three years? N=113.

Level of Organic Content

More than three quarters of organic manufacturing involves products that are 100% organic. The remainder consists mainly of products that are 95% organic (17%).

[3.3] Level of Organic Content



Q: What is the breakdown of your sales of ORGANIC products by category? N=195.

CHAPTER 4 EXPORTS

Whether Companies Currently Sell Organic Products Outside the U.S.

Just under half (45%) say they sell outside the U.S. (directly), and another 10% export through an export agent or broker.

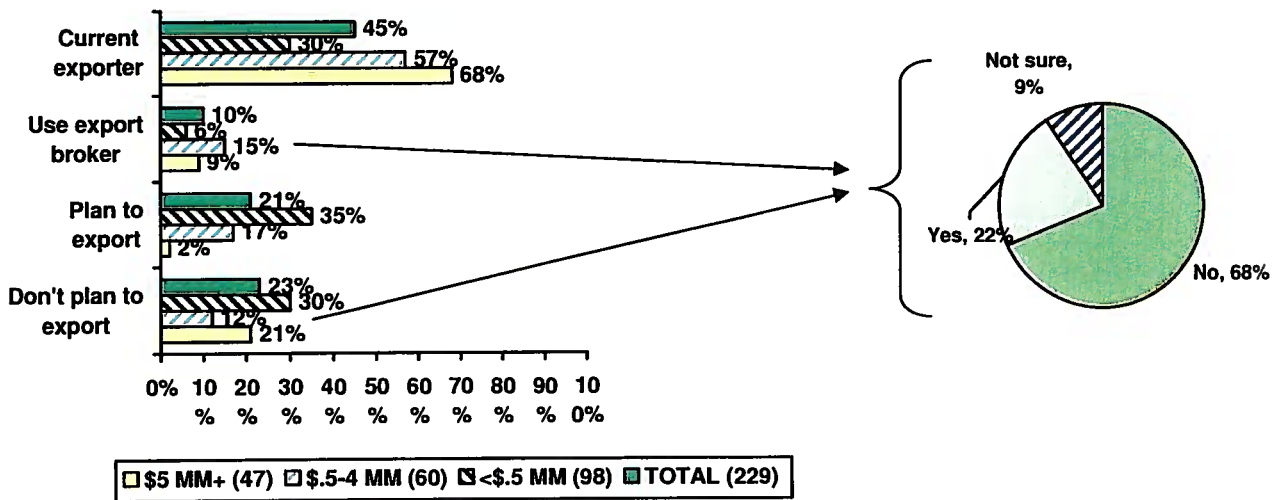
Another 21% say they plan to export, while 23% have no interest in exporting. Among those who have no interest, or who use an export agent/broker, 22% have exported directly in the past.

The proportion of exporters rises with the level of total organic product sales. While only 30% of those with total organic products sales of under \$500,000 are exporters, this proportion is twice as large (68%) for companies with total organic products sales of over \$5 million.

Conversely, the smallest organic producers are much more like to say they plan to begin exporting (35%) than are the largest organic producers (2%).

[4.1] Whether Companies Currently Sell Organic Products Outside the US (by Volume of Organic Product Sales)

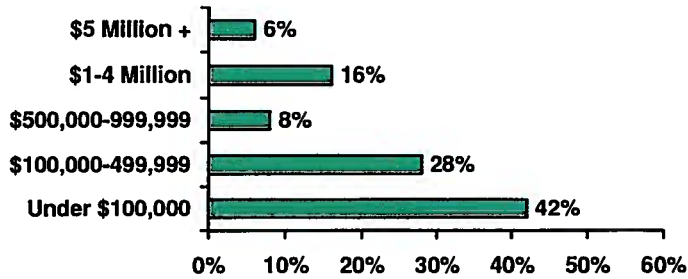
Whether Company Has Ever Exported Organic Products



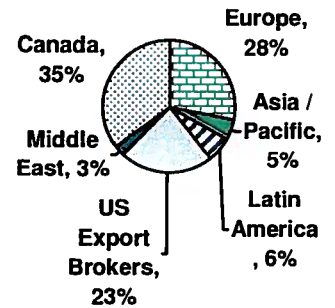
Q: Does your company currently export organic products outside the US? N=229. Q: Has your company ever exported organic products in the past (directly, without using an export agent or broker)? N=76.

The dollar volume of exports is typically small: 70% report \$500,000 or less in exports. Canada, mentioned by 35% of exporters, is the most common export market, followed by Europe (28%).

[4.4] Organic Sales Volume (Including Export Agent/Brokers)



Export Markets



Q: What is your annual export sales volume? N=83 (exporters able to report this figure). What is the current value of your annual exports of organic products to these regions? (Same base).

APPENDIX B: METHODOLOGY

The Organic Trade Association's 2009 Organic Industry Survey was conducted and produced on behalf of the Organic Trade Association by marketresearch.com in partnership with the Lieberman Research Group. In total, 229 companies completed Internet surveys between early January and April 3, 2009.

The volume of 2007 and 2008 sales of organic products is computed using the 2006 sales data in OTA's 2007 *Manufacturer Study* as a baseline. The percentage increase in organic product sales reported by companies in the survey is used to derive organic product sales estimates for 2009 and 2010. Given that the largest producers account for a minority of companies in the sample the reported percentages are weighted by companies' annual sales of organic products.

We then compared these estimates against

- Reported growth figures for specific major product components
- Information in annual and quarterly reports from public companies
- Data from the USDA and *Nutrition Business Journal*
- A time series model relating organic spending to non-food consumer sales (this logistic model actually tracks overall spending on organic products rather closely).

Responses to questions about USDA labeling, organic ingredients, exports and Canada are not weighted.

Data on total 2007 food sales (organic + non-organic) and total 2007 sales of non-food products used to compute the organic penetration percentages are from the following sources: Census Bureau; USDA Economic Research Service; *Nutrition Business Journal*; *The Wall Street Journal*; Federal Reserve Bank of St. Louis, Research Division; CCOF and other sources.

There are, of course, issues in forecasting economic activity in a recession. Michael McCracken ("How Accurate Are Forecasts in a Recession," *National Economic Trends*, February 2009) writes that forecast error is highest in a recession usually due to the inability of models to detect turning points in economic activity. That is certainly applicable to any estimates of sales of organic products in 2009 and 2010, which should be viewed with appropriate caution.

While non-members also may subscribe to the same high standards as CASRO members, membership in CASRO is an indication that our company takes seriously its obligation to conduct its business in accordance with the highest ethical standards.



www.casro.org

About the Organic Trade Association

The Organic Trade Association (OTA) is the membership-based business association for the organic industry in North America. OTA's mission is to promote and protect organic trade to benefit the environment, farmers, the public, and the economy. OTA envisions organic products becoming a significant part of everyday life, enhancing people's lives and the environment.

