

Organic Produce

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The organic foods market grew from \$178 million in overall organic distributor/retailer sales in 1980 to \$2.8 billion in 1995, including \$714 million in exports, according to the Natural Foods Merchandiser (NFM). In 1995, total retail sales of organically grown fresh fruits and vegetables were estimated to reach \$500 million, equivalent to about 1% of total retail fresh produce sales.

The development of the organic industry has been facilitated by improved distribution channels and entree into supermarkets and upscale health food stores. The convergence of the natural foods and the gourmet foods categories has helped to create a successful niche market for specialty organic fresh produce, including pre-packaged salad mixes with specialty greens, such as arugula and red oak leaf and baby lettuces, and a range of colored tomatoes and sweet peppers.

At the farm level, in 1995, the organic industry represented about 0.5% of all U.S. farmers and included over 5000 certified and up to 6000 uncertified producers. According to the University of California Davis, there were 1,452 organic growers in California in 1995, primarily producing fruits and vegetables, and generating an estimated farmgate value of \$95.1 million. Despite the rapid growth in this industry, these sales still represent under 1% of the farmgate value of California fruit and vegetable production. Similarly, total U.S. 1995 certified organic vegetable acreage was estimated by the Economic Research Service of the U.S. Department of Agriculture at under 1% of the 4.8 million acres engaged in national vegetable production.

Consumer attitude studies indicate interest in organic production is highest among those with the lowest and highest incomes. For example, in The Packer's national Fresh Trends 1998 survey of fresh produce consumption habits, 26% of households earning under \$12,500 in annual income reported purchasing organic fresh produce in the prior 6 months, compared to 22% in the next higher income bracket. At 30%, the highest incidence of purchasing organic produce was among the top quintile, households earning over \$50,000.

On average, 26% of the Fresh Trends respondents said they had purchased organic produce in the last six months, about the same as the prior year. However, the number of likely repeat buyers appears to be on the rise. Of those shoppers having purchased organics, 63% said they are extremely or very likely to buy organic fresh produce in the next six months, up from 57% the prior year. Still, 48% of all consumers surveyed said they were unlikely to buy organics in the future.

The core market for organics is described by Hartman as the "True Naturals," representing 7% of consumers. These consumers reside primarily on the Pacific coast and in the Northeast. They are interested in organic food production partly as a perceived means for improving the environment. The second most important core segment for the broad category of "earth-friendly" products is the "New Green Mainstream," accounting for 23% of the population. These consumers reflect the demographics and psychographics of the population at large, and are interested in the environment, but need a reason to change purchasing habits. Organic fresh produce marketers may increasingly claim environmental benefits as a means for enhancing the value of organics to this consumer segment.

Many consumers perceive organic as a pesticide-free production method. For example, according to the Hartman Report, 78% of consumers feel that organically grown means that no pesticides were used. The Organic Foods Production Act of 1990 directed the U.S. Department of Agriculture to implement

federal rules covering this method of farming. The advisory body, the National Organic Standards Board, has developed a set of recommendations to be used as a basis of USDA regulation. Although recommendations have not been acted upon at the writing of this article, the National Organic Standards Board clearly indicates that organic is not a pesticide-free claim, but rather a system of managing crops and livestock which emphasizes natural feeds, medications, pest control methods and soil inputs. Care must be taken to accurately position the organic approach to agricultural production.
