

# Global trends change organic consumer buying habits

PRESIDENT of the USA Produce Marketing Association (PMA), Bryan Silbermann, sounded a warning to the Australian fresh produce and organic industries that locally grown had arrived – and it's a trend that should be addressed.

Mr Silbermann was a key speaker at PMA's Fresh Connections Conference held at the Four Points by Sheraton Hotel, Sydney, on August 14-15. The conference was sold out, attracting 250 delegates representing growers, wholesalers, retailers, industry suppliers and industry organisations.

One of Mr Silbermann's opening themes was that the world's economies were all interconnected. "And when I looked at the data ... I know you'll come away with a strong realisation that our produce industry and consumers in the US and Australia/New Zealand are facing trends and forces far more similar than they are distinct," he said.

## Food with Integrity trends

Food retailers are moving into smaller-format stores. "In part inspired by Tesco's entry into the US market, retail leaders like Wal-Mart and Safeway have made significant investments in smaller-format stores, with prepared foods and corporate brands taking centre stage as this new generation of local neighborhood markets," Mr Silbermann said.

Another trend is that both retail and foodservice are responding to consumer demands for food with integrity. "Food with Integrity" isn't a marketing slogan," Mr Silbermann said.

"It's not a product line of natural and organic foods. It is a new term coined to reflect the consumer demand for food that is better in every sense of the word. Again, it represents consumer desire to connect with their food and the sources of their food at the very basic level. The hallmarks of Food with Integrity include concepts like unprocessed, seasonal, family-farmed, sustainable, nutritious, naturally raised, hormone free, organic, and artisanal."

## Organics a 'hot force

Consumer interest in connecting to their food had also been instrumental in creating a \$US4.9 billion dollar organic produce

marketplace, Mr Silbermann said. "There is no debating that organics are still a hot force in the marketplace," he said. "Some retailers are reporting sales increases in organic produce, often citing food safety concerns as a reason.

"But questions have arisen about the ability of organics to maintain its position as a hot trend, particularly in the current economy. In the US we've certainly seen a slowing of the increase and organics no longer seem to have the same cache as in previous years.

"Increasingly, shoppers are opting for locally grown over organic alternatives. In one survey, an astounding 95pc of consumers said they would prefer to buy local products.

"And when cost is the same, 50pc choose locally grown versus 28pc for organics. Certainly price is also a factor. Among those consumers who no longer purchase much organics 70pc say it is too expensive, 39pc cite lack of perceivable difference and 33pc indicate they are concerned about the safety of organic produce."

Mr Silbermann said major US growers who recognise the locavore movement as a market disruptor are already signing contracts for regional growing in the Mid-West, the Northeast and Canada. Greenhouses are popping up all across North America, from Maine to Mexico.

## Sustainability standards important

Sustainability is another major trend. In a PMA survey, 44pc of consumers surveyed thought it was extremely important that the produce industry complied with verifiable sustainability standards.

Mr Silbermann said the most dramatic market disruptor of all was food safety. Since late May in the US the produce industry was embroiled in yet another outbreak of unprecedented proportions, this time focused on salmonella, with thousands sick and hundreds hospitalised.

Speaking to Certified Organics magazine, Mr Silbermann said organics was primarily found in fresh food, meat and some dairy categories.

"Over the past three years we have seen growth in organic private-label grocery products coming into the mainstream, a trend that has



Bryan Silbermann, president of the Produce Marketing Association USA, speaking at the conference.



At the conference were (from left) Alicia Calhoun, PMA; Bob Wickson, regional licensing manager in Australia and New Zealand for Sun World Australasia, Oberon, NSW; and Nancy Tucker, PMA vice-president of global business development.



The Business of Sustainability Workshop panellists were Tony Motion, Zespri International; Rebecca Taylor, OneHarvest; John Webster, Horticulture Australia; and Ian Pavey, Progressive Enterprises New Zealand.

helped produce, and broader expectations for organics," he said.

Mr Silbermann said when Wal-Mart said it was going to introduce organic products into its stores some people in the industry had a fixed position and said products were not going to be pure.

He pointed out the major trend towards local purchasing of fresh food. "Whole Foods has had an annual sales growth rate of 7% to 9% but a slowing of the rate of sales increase," he said.

"Organics have always enjoyed a higher price point but will suffer in an economic downturn."

Another PMA executive at the conference, Nancy J Tucker, vice-president of global business development, said organics were growing consistently and were about 6.2pc of fruit and vegetables sales in US supermarkets, worth around \$US5 billion to \$US6 billion.

"Sales growth in dollar value is quite steady and people are buying and eating organics for the right reasons: perceptions of quality, taste and environment," she said.

"However, we are hearing anecdotal reports that sales are slowing in organic produce due to the present economy.

"Local has now become the focus for consumers in the US and 'buy local' is a trend that is growing."

Ms Tucker said a challenge was to get growers to grow more organics locally. "More than half the people in a recent survey said they would chose local product instead of organics," she said.

## Fresh local produce flat but growth in US

At the PMA conference, Kris Walker, director of CPS product leadership for The Nielsen Company, presented on consumer trends.

Fresh vegetables and fruit were the most important items in terms of choosing a retailer, Ms Walker said. Fresh is not immune to changing economic conditions with 70,000 more households now buying into frozen.

Australian fruit sales are flat with the trend line showing a slight decline, while Australian vegetable sales are also flat (source: AC Nielsen Homescan Australia).

Health benefits, obesity, sustainability and buy local trends are driving significant growth across categories that 'own' these benefits:

- total fresh bread – 16.9%;
- total yoghurt – 5.9%;
- total mineral/still/spring water – 17.8%;
- total olive oil – 14.9%.

Fresh produce share of spend has remained flat:

- \$38.70 per basket and 11.7% share of wallet.

Fresh produce growth of 1.3pc is trailing total Australian grocery growth (4.5pc).

Nielsen Homescan data showed that almost three in 10 supermarket shoppers shopped for fruit elsewhere.

In the US, Nielsen Homescan figures show that natural and organic sales are growing while natural food sales are stronger during holidays.

In total \$350 million was spent on grocery organic products sales for July 2008, with strong sales growth seen in July.

Preservative-free sales were just under \$800 million in July 2008, while natural food sales (non-fresh, based on product claims) were close to \$1.5 billion a month.

**Organic wholesaler & exporter of quality Certified  
Organic fresh fruit & vegetables & other grocery lines.**

**Call us for advice on what to grow and when to maximise returns.  
Whether certified or "converting to organic".  
Fair and prompt payment for quality produce.**

**Jim Davis 0438 245 167**



**Ross Cowling 0438 763 761**

**Merchant no. 533**

**E Block**

**PO Box 54**

**BRISBANE MARKET Q 4106**

**See our website for more information**

**p: 07 3278 5997**

**f: 07 3278 5998**

**organics@unitedorganics.com.au**

**www.unitedorganics.com.au**