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

EXECUTIVE SUMMARY

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Organic Trade Association's 2009 Organic Industry Survey

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 expected growth 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

Trends in Organic Food and Total Food Sales

While a small percentage of all food sales, organic sales are growing faster than the rate of growth for conventional food products. The 15.8% increase in organic food sales since 2007 (vs. a 4.9% increase in total U.S. food sales) propelled the organic share of total food sales to nearly 3.5% in 2008. The level of organic penetration has nearly doubled in the past five years.

[1.2] Organic Food Sales, Total U.S. Food Sales, and Percent of Total Food Sales that Is Organic Food

	Organic Food Sales ($ Million)	Change from Prior Year	Total Food Sales ($ Mil)	Organic Penetration*
1997	3,594	Na	443,790	0.81%
1998	4,286	19.2%	454,140	0.94%
1999	5,039	17.6%	474,790	1.06%
2000	6,100	21.0%	498.380	1.22%
2001	7,360	20.7%	521,830	1.41%
2002	8,635	17.3%	530,612	1.63%
2003	10,381	20.2%	535,406	1.94%
2004	11,902	14.6%	544,141	2.19%
2005	13,831	16.2%	566,791	2.48%
2006	16,718	20.9%	598,136	2.80%
2007	19,807	18.5%	628,219	3.15%
2008	22,929	15.8%	659,012	3.47%

* Organic food as a percent of total U.S. food sales. Source: *OTA's Manufacturer/Organic Industry Surveys, 2006-2009*

Organic Food Categories

The fruit and vegetable category accounts for the largest portion of organic food sales. This one category represents 37% of total organic food sales in 2008. The second largest categories are beverage and dairy, representing just over 14% each.

The strongest growth in 2008 is in the categories of breads and grains (35% over 2007) and beverages (32%).

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.

Private Label Products

About half of companies report selling at least some products under a private label (e.g., store brand). Among those doing so, private label sales account for just over 30% of total sales of organic products. These companies are evenly split as to whether private label sales are growing faster than other organic sales or not.

Exports

If the original model for organic foods was of small producers selling locally, the industry has certainly changed over the past decade. As in the 2007 report, just under half of companies report being involved in export sales. Companies with more than $5 million in annual revenue are twice as likely as firms with less than $500,000 in annual revenue to be involved in export sales. However, many smaller firms *want* to enter the export arena.

Companies rely heavily on international trade shows for export business development. At the same time, they cite regulations imposed by other countries as the principal barrier to export activity and growth.

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 1010. 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.

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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.