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Organic Foods – Not for Everyone

Between 2006 and 2007, households buying organic foods remained virtually unchanged at just over one-third of households. Although sales of organic foods have grown, many still feel tentative about their purchasing of organic food. Only 7% of households are strongly committed to the purchase of organic food.[?]

While organic food has caught the attention of American consumers and carved out a significant niche of the food market, its growth has not taken off as many environmentalists hoped. This reflects the still limited supply of organic food; only about 1% of U.S. farmland is dedicated to organic. Another reason is that only 32% of adults think that organic food tastes better than conventionally grown food. Some think that organic food is less tasty (18%), but most feel there is either no difference in taste or they simply don't know how the taste of organic food compares. Many more consumers associate organic food with health – 65% – but healthy food is generally not associated with good taste. A survey on this topic found that many consumers do not associate good taste with foods defined as being primarily healthy.

Organic food is also seen as good for the environment by two-thirds of adults (67%), but consumers don't necessarily choose environmentally-friendly products. This is seen in the choice of automobiles that consumers drive. It is also demonstrated by the relatively low market penetration of solar and other energy-saving heating and ventilation equipment. The immense growth of plastic water bottles demonstrates that environmentally-friendly practice can take second place to product preference.

Even households that buy organic foods are not convinced about their good taste. Only half of organic food users (51%) feel it tastes better than conventional foods. Their decision is largely a health-based decision; 87% say organic food is healthier, backed up by environmental friendliness (82%). Absence of superior taste may explain the relatively low commitment to organic among most users; only 18% of users say that buying organic is a high priority for them.

Wal-Mart's entry into organic foods at its Super Centers confronts this climate of ambivalence on the premise that its low-cost reputation will convince more consumers to buy organic and to buy it more often. Of the 35% of households that buy organic foods, almost half (44%) expect

[?] Data are drawn from national studies in 2006 and 2007 conducted by Leo J. Shapiro & Associates. For more information: georger@ljs.com

to buy them from Wal-Mart if a store nearby carries them. The appeal of organic foods from Wal-Mart is price and convenience of one-stop shopping. The idea of better taste or quality with Wal-Mart's introduction of organics goes entirely unmentioned.

Collectively, these findings display a limited appetite for organic foods. The low-price promise inherent to Wal-Mart combined with its broad distribution can be expected to benefit sales of organic. The magnitude of that benefit will depend on how much Wal-Mart narrows the cost between organic and conventional foods. The appetite for organic is also limited by its association with produce. Nearly one-third of consumers (31%) say they only think of organic food as produce. For organic foods to penetrate the pantry, households now focused on fruits and vegetables will need to bridge to packaged and canned organic groceries.

The most formidable barrier to growth, however, is the problem of taste. So long as most consumers see no taste difference between organic and conventional food or think that organic is less tasty, the market will be limited by its failure to deliver appetite appeal. Organic growers have depended largely on environmental and health benefits of organic to carry the day. So long as these are the dominant arguments, organic food will be a niche market focused on produce and perishables. Opening the gates to greater market penetration will require enhancing the appetite appeal of organic foods.

Dependence on health and environment has deterred growers from expanding the production of organic crops and marketers from promoting the appetite appeal of organic foods. As emphasis shifts from health and environment to food enjoyment, the acceptance and demand for organic will support conversion of more land to organic farming. If a majority of consumers becomes convinced that organic tastes better, organic is likely to move from its present position as a market niche to the mainstream. Without conviction about good taste, organic is likely to remain a category that serves the minority of consumers willing to pay a premium for health and environmental friendliness.