

NAICS Codes Covered:

424480 -- Fresh Fruit and Vegetable Merchant Wholesalers

424490 -- Other Grocery and Related Products Merchant Wholesalers

SIC Code:

2099 - - Food Preparations, Not Elsewhere Classified

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Quick Overview

Today's lifestyles define organic as more than just your neighborhood farmer's market. Neither is it limited to only produce anymore. No longer does the organic consumer just want fresh fruits and vegetables; the array of products includes everything from baby food, dairy, frozen food, dog food, and even clothing and furniture. In 2006, organic food sales totaled \$16.7 billion, representing 2.8% of all U.S. retail sales of food and beverages. Also, the penetration of organic foods in households has increased slightly from 2006 to a current 57%.

The Organic Industry has grown at a rate of nearly 20% per year for the last seven years and industry experts are forecasting its continued growth. In a 2006 study completed by the Organic Trade Association, industry leaders were surveyed about the trends in organics and where they saw the industry in the next 20 years. They forecasted that the everyday use of organic products will be both accepted and routine by the year 2025.

So what's so great about going organic? There is a growing concern about what is going into our food and what is happening with the environment. Eating and living healthy and being environmentally friendly are what this industry is all about. The organic industry is slowly no longer being seen as a trend, but a lifestyle that could someday take dominance.

Interest in the organic food industry has been increasing 20% each year since 1990. More and more people are becoming aware of the environmental and health benefits associated with organic products and what was once an industry limited to the rare farmer's market, is now immersed throughout almost every conventional grocery store in the U.S. In 2006, organic food sales totaled \$16.7 billion, representing 2.8% of all U.S. retail sales of food and beverages.¹ Also, the household penetration of organic foods and products has increased slightly from 2006 to 57%.² The demand for organic foods has deepened as well. No longer does the average consumer just want fresh fruits and vegetables; the array of products includes everything from fresh produce and salsas to frozen meals and baby foods.

Organic Foods Product Mix

Produce	32%
Bakery	13%
Non-Dairy Beverages	12%
Packaged Goods	10%

Dairy	10%
Meat	8%
Frozen	7%
Prepared Foods	5%
Baby Foods	3%

Source: Neal Hooker 2004³

Not only is the organic industry rapidly growing in the United States, but also worldwide. Organic farming is practiced in about 100 countries throughout the world with more than 24 million hectares (59 million acres) under organic management. Australia has the most organic farm land with approximately 10 million hectares (24.6 million acres), followed by Latin America with approximately 5.8 million hectares (14.3 million acres). Argentina has about 3 million hectares (7.4 million acres), Europe has a little over than 5.5 million hectares (13.5 million acres), and lastly, North America has 1.5 million hectares (3.7 million acres).¹

Source: The Organic Trade Association 2007¹

Demographics

Who buys organic foods? According to the Walnut Acres/RoperASW survey conducted in 2002, Gen Y and the Baby Boomers were the biggest consumers of organic foods. Of the Baby Boomers, 43% and 39% of Gen Ys say they plan to make organic foods an increasing part of their diet in the next year, compared with 37% of the total population. And with the “eat well” mindset of the Baby Boomers, this attitude is being passed on to their children and future generations following them.⁴

Also, people living in the West are more likely to have purchased an organic food product compared to Northeasterners, 75% and 66% respectively.⁴

The Natural Marketing Institute classifies the general population of the United States into four different groups according to their strength of attitudes and usage of organic foods and products.

- The Devoteds account for 9.2% of the general population and 32% of organic users. These people are the loyal and committed organic users; they have the highest level of organic usage and spending rates and represent the epitome of living an organic lifestyle.
- The Temperates make up 16.7% of the general population and 56% of organic users. They have moderate attitudes and account for half of all organic spending. Temperates are attempting to fit organic usage into their existing lifestyle.
- The Dabblers are non-committal and the least health conscious of the three groups. For them, organic usage is more about being trendy than being healthy. The Dabblers account for 3.8% of the general population and 13% of organic users.
- The remainders of the population are the Reluctants. These people are aware and may believe in some organic benefits, but do not use organic products. The Reluctants comprise 70.3% of the general population.²

Industry Trends

According to the Organic Trade Association, there are ten reasons why many people decide to go organic.

1. Organic Products meet stringent standardsOrganic certification is the public's assurance that products have been grown and handled according to strict procedures without persistent toxic chemical inputs.

2. Organic food tastes great! It's common sense – well-balanced soils produce strong, healthy plants that become nourishing food for people and animals.

3. Organic production reduces health risks Many EPA-approved pesticides were registered long before extensive research linked these chemicals to cancer and other diseases. Organic agriculture is one way to prevent any more of these chemicals from getting into the air, earth and water that sustain us.

4. Organic farms respect our water resources The elimination of polluting chemicals and nitrogen leaching, done in combination with soil building, protects and conserves water resources.

5. Organic farmers build healthy soil Soil is the foundation of the food chain. The primary focus of organic farming is to use practices that build healthy soils.

6. Organic farmers work in harmony with nature Organic agriculture respects the balance demanded of a healthy ecosystem: wildlife is encouraged by including forage crops in rotation and by retaining fence rows, wetlands, and other natural areas.

7. Organic producers are leaders in innovative research Organic farmers have led the way, largely at their own expense, with innovative on-farm research aimed at reducing pesticide use and minimizing agriculture's impact on the environment.

8. Organic producers strive to preserve diversity The loss of a large variety of species (biodiversity) is one of the most pressing environmental concerns. The good news is that many organic farmers and gardeners have been collecting and preserving seeds, and growing unusual varieties for decades.

9. Organic farming helps keep rural communities healthy USDA reported that in 1997, half of U.S. farm production came from only 2% of farms. Organic agriculture can be a lifeline for small farms because it offers an alternative market where sellers can command fair prices for crops.

10. Organic abundance – Foods and non-foods alike! Now every food category has an organic alternative. And non-food agricultural products are being grown organically – even cotton, which most experts felt could not be grown this way.

Source: The Organic Trade Association 2007¹

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According to Jerry Dryer of J/D/G Consulting, “Organic is a niche, but a very profitable niche. Give consumers what they truly want/need and they will dig deeply into their pockets. Organic dairy is mainstream. Two-thirds of the organic milk and cream is delivered to consumers via conventional supermarkets, not the ‘health food stores’ frequently associated with the organic of days gone by. Half of the organic cheese and yogurt sold in this country passes through a conventional supermarket. Organic is here to stay, not a fad marching by in the night.”⁵

Links of Interest

The National Organic Program — <https://www.ams.usda.gov/NOP/indexIE.htm>

The Organic Center - <https://www.organic-center.org>

Organic Trade Association - <https://www.ota.com>

Whole Foods - <https://www.wholefoodsmarket.com/>

Organic Consumers Association - <https://www.organicconsumers.org/>

Associations

Organic Trade Association - <https://www.ota.com/>

Organic Consumers Association - <https://www.organicconsumers.org/>

Organic Retailers Association - <https://www.o-r-a.org/>

Texas Organic Farmers & Gardeners Association - <https://www.tofga.org/>

Sources

¹The Organic Trade Association. 2007. <https://ota.com/>.

²National Marketing Institute. "Organic Food & Beverage Sales Increase 18%; Household Penetration Decreases". 23 Feb 2005.
<https://www.npicenter.com/anm/templates/newsATemp.aspx?articleid=11772&zoneid=6>.

³Neal Hooker. Policy & Outlook Program. 2004. .

⁴Rebecca Gardyn. *The Big O – organic food market continues to grow in the United States*. 1 Oct 2002. https://findarticles.com/p/articles/mi_m4021/is_2002_Oct_1/ai_92087422.

⁵Jerry Dryer, J/D/G Consulting, "Organic Lessons," *Prepared Foods*. January 2003.

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