

Even Organic Food Not Safe From Recession

Contributed by Mintel
Sunday, 09 November 2008
Last Updated Sunday, 04 January 2009

October 2008 - US

Organic Food

Mintel expects market growth for organic food and drink to slow with economy

Despite more organic food and beverage products on grocery store shelves, all is not healthy in the world of pesticide-free, additive-free edibles. In fact, Mintel predicts that market growth rates for organic food and drink will decline, especially as the economy struggles.

According to Mintel, the market for organic foods and beverages should reach \$7.2 billion in 2008, an increase of over 140% from the \$3.0 billion recorded during 2003. But year-over-year, Mintel has seen sales growth slowing. With many Americans now struggling financially, Mintel projects that sales of organic foods and beverages will not rally anytime soon.

“Rising food and gas prices, the credit crunch and economic uncertainty have deeply affected people’s shopping habits,” comments Marcia Mogelonsky, senior analyst at Mintel. “Across the board, Americans are spending less and organic versus traditional is a decision many people are thinking about carefully.”

Mogelonsky sees two major cost-related challenges for organic manufacturers – rising food prices and private label brands. According to Mintel, the price of all food at home increased more than 7% in the past year. “To cope with higher prices, many shoppers are simply opting not to buy pricey organic or premium brands,” explains Mogelonsky.

People are also saving money by reaching for private label organics, which have exploded in recent years. Mintel’s Global New Product Database (GNPD) tracked over 540 new private label organic foods in 2007, a massive increase from the 35 new products seen in 2003. Furthermore, when Mintel asked survey respondents about the difference between name brand and private label organics, three in five (60%) said it didn’t matter, that they reached for “whatever available” when shopping. Private label poses an increasingly large threat to branded organic lines.

“Economic struggles will undoubtedly change the way organic food and drink is sold. But we don’t expect people to completely stop buying organics,” states Mogelonsky. “We anticipate more subtle changes, such as the formerly all-organic shopper who returns to traditional cookie brands while sticking with organic produce. These small changes will slow market growth.”

Mintel’s survey of adults revealed that 47% said they purchased organic food in the past year, while 21% reported purchasing organic beverages. Mintel GNPD tracked over 2,000 new organic food and drink launches in 2007 in the US, and Mintel expects 2008 totals to top that figure.

About Mintel

Mintel is a worldwide leader of competitive media, product and consumer intelligence. For more than 35 years, Mintel has provided key insight into leading global trends. With offices in Chicago, London, Belfast and Sydney, Mintel’s innovative product line provides unique data that has a direct impact on client success. For more information on Mintel, please visit their Web site at <http://mintel.com>.