Slight Decline In Organic Products

Contributed by GfK
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Findings of a GfK survey on the consumption of organically produced food in Germany

In the first half of 2009, sales of organic products declined for the first time. Consumers spent approximately 4% less on organic food and drinks in this period than they did during the same period in the prior year.

These are the findings of a survey conducted by GfK Panel Services Germany to continuously track sales of organic products.

In total, 85% of all households in Germany bought at least one organically produced item in the first six months of 2009.

However, prices were down by 2% on average compared with the prior year. In view of the fact that the total consumption of organic products was also 2% down, the overall market recorded a 4% decrease.

Discount stores see marked decline in organic food sales
Spending on organic produce developed far more negatively in food retail. This segment recorded a fall of 6%, which was also caused mainly by decreasing prices.

Discount stores in particular, which had introduced a greater number of consumers to organic products in recent years, were unable to achieve positive effects in terms of price competition by including this product group.

The price level declined by 7%, while consumers only spent slightly more (+1%) in this segment.

Since around one in four euros spent through this sales channel relates to organic products, price competition determines overall profits. Specialist stores fared better, with price and demand remaining at a constant level.

Despite the lower price level, consumers needed to spend an average of EUR 1.40, or 75%, more on organic products compared with traditionally produced goods.

Income level impacts on consumption of organic products
The amount of disposable income of households largely determines consumption of organic products. Based on their own estimates regarding their financial situation, the majority of all households still indicated that they "manage by and largeâ€•.

Overall, 26% of households have to be very careful about what they spend. A respectable 28% do not need to economize.

At almost 30%, this proportion is slightly higher in the group of consumers who regularly buy organic products.

The analysis of spending shows that these households account for more than 40% of the total market. Compared with the first half of 2008, their consumption of organic products rose fractionally.

In contrast, spending on organic products by the other two groups reduced considerably in some respects. Here, too, price reductions had a major impact.

On average, the shopping volume of consumers who did not need to economize was only 0.5% up on the prior year. However, the amount of money they spent on their purchases rose by 1.1%.

Consequently, the response of this group is relatively price insensitive. Conversely, those consumers who are more likely to have to restrict their spending reduced their consumption by 7%.

They also bought the relevant products at significantly lower prices. As a result, this segment recorded a 15.5% decline in sales.

The survey highlights that the "organicâ€• label no longer guarantees fast-selling products.

Consumers who are concerned that their financial situation could deteriorate will think more carefully in future about whether the organic origin of a product warrants the extra spend.

Manufacturers of organically produced goods must therefore put more effort into convincing consumers of the greater

benefit of their products.

The survey
This publication is an extract from a survey which is available for purchase from GfK Panel Services Germany from Thursday, August 13, 2009.

The data originate from the GfK household panel and are collected from 30,000 representatively selected households which scan their weekly shopping in the fast moving consumer goods segment.

In addition, they indicate the price paid and where they bought the products.

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