



ORGANIC OPPORTUNITY: INSIGHTS & GROWTH IN ORGANIC FOOD & BEVERAGE

2019 • TREND INSIGHT REPORT

What's in a name? Plenty, if a product goes by "organic." That descriptor carries meaning and increasing weight among today's consumers, with 92% of people reporting that they have purchased at least one organic item in the past year and with organic sales now topping \$50 billion. The growth rate for organic food and beverage is greater than the total market rate. What's behind that current appetite for organic foods? Read on to learn more about what organic means, how consumer interests and tastes are driving the organic food and beverage market and how brands and purveyors are innovating with more organic offerings, including meals and prepared foods.

A DEFINING MOMENT

Although organic is now considered mainstream compared to the niche market it once was, there are still some misperceptions about the meaning of the term, particularly the differences between organic and natural, and organic and other product claims, including specific claims like non-GMO or hormone and antibiotic- and hormone-free.

In fact, only 36% of consumer who purchase both natural and organic say they know the difference between the two terms. A little over a third (34%) report that they understand the nuances between organic and non-GMO.



The 2.8% growth rate for organic food and beverages outpaces the total market rate of 1.8 percent.

Source: State of the Natural Industry 2019, SPINS

THE REAL DEAL

For the nearly two thirds of people confused by natural and organic claims, here's the lowdown:

Natural: The U.S. Food and Drug Administration (FDA) does not regulate the term "natural" for food products. "Natural flavors," however, *is* a defined term for the FDA, providing a rare spot of clarity around natural claims. The U.S. Department of Agriculture (USDA), for its part, defines natural products as those that are "only minimally processed" and "contain no artificial ingredients or added color."

Organic: Products listed as Certified Organic by the USDA must follow strict requirements for production and labeling and are overseen by certified agents of the USDA National Organic Program (NOP). Organic products must be produced without excluded methods, such as genetic engineering, and made with allowed substances that are published on the National List of Allowed and Prohibited Substances. If a product isn't certified, the USDA Organic Seal can't be used on the package, nor can the main part of the package feature any organic claim.

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“Clarification could potentially help increase consumer loyalty for organic products.”

-Intel, July 2019

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THE REAL DEAL, continued

A Deeper Dive into Organic Terms

- **100% Organic:** Contains 100% organic ingredients and can feature the USDA Organic Seal.
- **Organic:** Contains at least 95% organic ingredients and can feature the USDA Organic Seal.
- **Made with Organic Ingredients:** Contains 70% organic ingredients, but not allowed to carry the USDA Organic Seal. Can call out organic ingredients on ingredient statement.



Flavor Rule Change:

Earlier this year, the National Organic Program amended the National List of Allowed and Prohibited Substances to require the use of organic certified flavors in all organic products whenever those flavors are “commercially available.” Certifying agents are the ones to determine whether or not certain flavors are considered commercially available. The good news is that flavor vendors, especially those like FONA with extensive experience working in organics, can help with everything from answering questions about the new rule to assisting with documentation and forms. Click [here](#) to see our guidance: “6 Things to Know NOW About the Organic Flavor Changes.”

FLAVOR FAVORITES

“Staying on top of trends for texture and flavor profiles – along with emphasizing products with taste benefits from the use of real, natural ingredients over artificial ones – may be beneficial to swaying consumers who continue to buy a mix of mainstream and natural/organic product.”

-Mintel, July 2019

Fastest Growing Flavors

Global Organic Products, 2017-2019

- Pistachio
- Chili/Chili Pepper
- Bell Pepper
- Avocado
- Cookie Dough
- Rosehip

North America - Organic Products, 2017-2019

- Miso
- Blackberry
- Celery
- Goji berry/ Wolfberry
- French Vanilla
- Chili / Chili Pepper (Chipotle)

Products of Note:



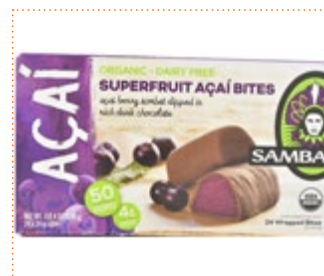
MAMMA CHIA ORGANIC BLUEBERRY POMEGRANATE BEVERAGE: This USDA organic and non-GMO verified beverage contains 4g protein and ingredients include natural flavors, organic chia and fruit juices.

Purchase Intent: 27% of consumers polled said they would possibly buy this product.



ALTER ECO DEEP DARK SALTED BURNT CARAMEL ORGANIC CHOCOLATE is described as fair trade with a rich, butter crunch. Ingredients include natural flavor, raw cane sugar and organic cream.

Purchase Intent: 55% of consumers polled said they would possibly buy this product.



SAMBAZON ACAI SUPERFRUIT BITES are full of antioxidants, omegas and nutrients. Ingredients include natural flavor and organic sugar, cocoa butter, among other ingredients.

Purchase Intent: 27% of consumers polled said they would possibly buy this product.

WHO'S BUYING?

Even though the number of consumers who say they exclusively buy organic products is small, organics hold a lot of potential, given the fact that nearly half (49%) of consumers say they buy a combination of conventional and natural/organic foods and beverages. As consumers mix up their meals and purchases, those who make and sell organic products can widen their offerings and entice new audiences. On the whole, the growth of this market has been, well, organic in nature. A majority (52%) of organic buyers report that they are purchasing more organic items than they did even a year ago.

Consumer Reaction

Comparing consumers' purchase intent between organic and non-organic choices, many influencing attributes are largely aligned (products seen as **convenient, exciting, visually appealing** and **filling**), but organics spike higher in items seen as **environmentally friendly, healthy, natural, premium** and **quality**. Non-organics edge out organics in perception as **indulgent, fun, tasty** and of **value**. While these factors can be seen to represent a negative connotation for organic, they present an opportunity for organic brands to market the fun and indulgent attributes of their products and promoting value whenever possible.



WHO'S BUYING?, continued

Organic Aficionados

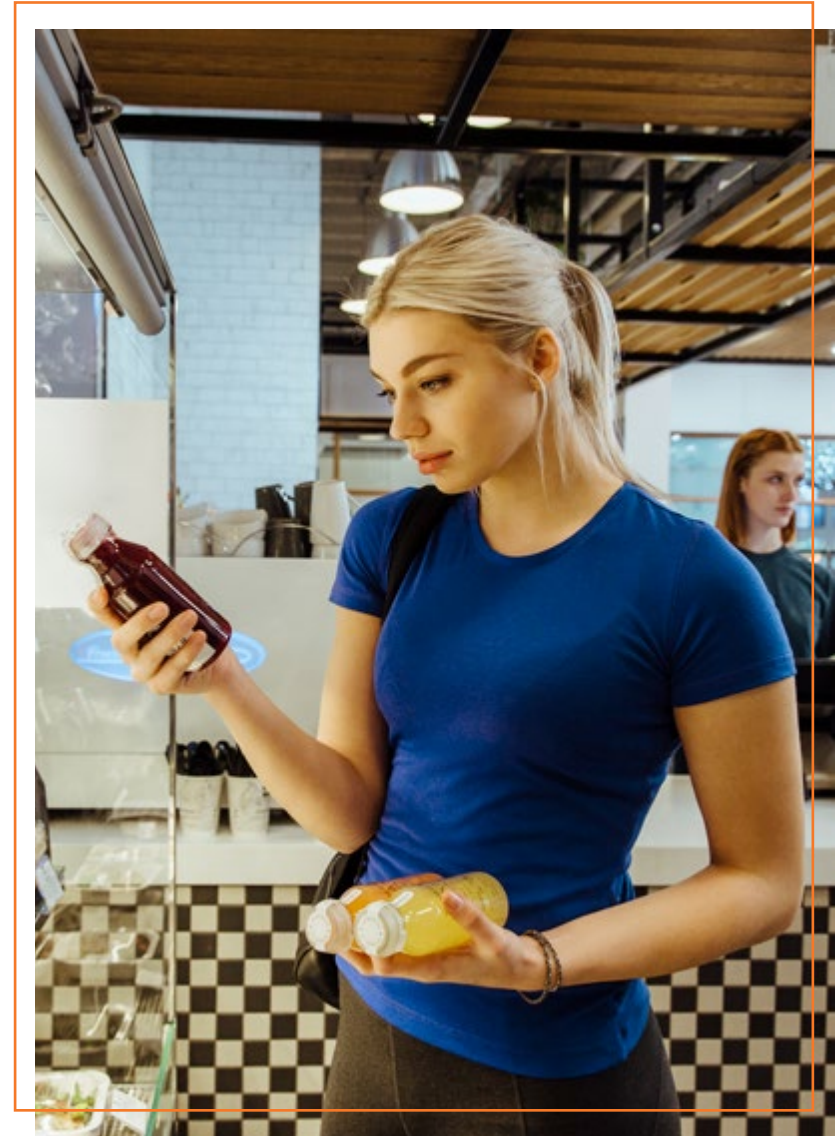
Organic foods and beverages are steadily rising in acceptance and use among many age groups, but younger buyers are especially into these kinds of products and are fueling overall growth. Generation Z, the age group behind the much-talked-about Millennials, are even more interested in organic and natural foods than their older counterparts.

- When it comes to the notion of healthy eating, more than half (54%) of consumers between 18 and 29 say that organic foods are healthier than non-organic foods, versus 39% of consumers over age 65 who share that belief.

Social Buzz Builds

Social media posts that mention organic products – excluding clothing and beauty products – are up a remarkable 93 percent from 2015 to 2019.

- 87% of posts about organics show positive sentiment
- Women talk about organic more than men, as they represent 58% of the voice share



THE BUDGET BIAS

Although price has been long viewed as a barrier to organic purchases, income level doesn't seem to be a major point of difference. Within the small group of consumers that exclusively buy organic and natural items, those with incomes less than \$25,000 actually buy more than other income levels. Anecdotally, however – some consumers do view organics as both more expensive and “premium”:

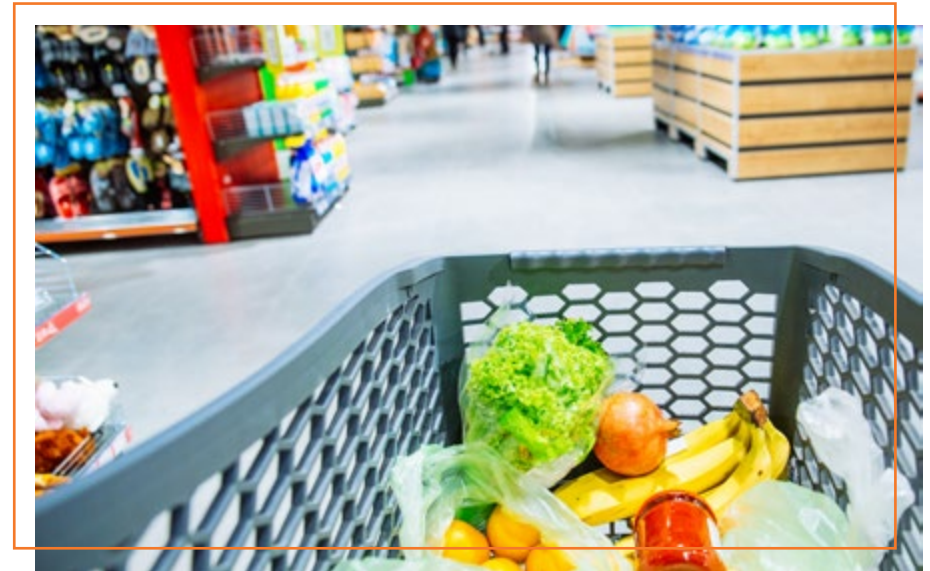
IN THEIR OWN WORDS:

“A lot of the organic products are a bit too expensive for me, so I use a mixture of products.”

-55+-years-old female (Mintel)

“I understand it is titled “organic” but that doesn't mean I should spend that much.”

-Female, aged 21-34, browsing organic burritos (Purchase Intelligence).



Nay-sayers

It's important to know that not everyone is going gangbusters for organics. There is a notable segment of the consumer base – recently pegged at 27% – that is not currently interested in organic or think that the claims don't mean anything to them. That portion of the market is important to consider, and may slow broader, more sweeping growth across all organic food and beverage categories.

MOM AND DAD OWN ORGANIC

As gatekeepers, parents are key organic customers, especially for convenience-oriented items that solve mealtime solutions. Nearly half of parents report that they have increased their purchases of organic and natural foods and products.

Products of Note:



GERBER ORGANIC PEAR, MANGO AND AVOCADO BABY FOOD: This baby food variety is made with organic fruits and vegetables grown using "Clean Field Farming" practices.



NURTURE HAPPY TOT SQUASH RAVIOLI: Consisting of organic squash, pumpkin and sage sauce paired with whole wheat ravioli, this product is also non-GMO.



IN THEIR OWN WORDS:

"I would like to buy more organic items for my family, and the price looks right."

-Female shopper, 18-34, browsing an organic vegetable broth. (Purchase Intelligence)

KIT & CABOODLE

With the overall meal kit delivery service market expected to reach \$8.94 billion by 2025, organic meal kits deliver on consumers' parallel appetite for flavor, convenience, freshness and organic ingredients. Delivery services like Green Chef, Sun Basket and Veestro, among others, offer kits using USDA certified ingredients, some of which are up to 100% organic.

Taste the Trend



GREEN CHEF BAVARIAN PORK QUINOA BOWL:

All of Green Chef's meals are made with at least 90% USDA Certified Organic ingredients. This dish features kale salad, apple, cabbage and a caraway-mustard aioli paired with German-style pork.

Image credit: Mealfinds.com



VEESTRO JACKFRUIT POZOLE:

Rich with Mexican flavors, this pozole is made with organic jackfruit, organic hominy, organic garlic and organic cilantro, in addition to other non-organic ingredients.

Image credit: Veestro

WHAT'S HOT IN FROZEN ORGANIC

A far cry from TV dinners of the past, today's frozen meals include a growing array of organic options. Frozen meals from organic brands or organic product lines are among best-selling organic items at retail and often feature globally-inspired and bold flavors.



AMY'S ASIAN DUMPLING BOWL:

Featuring organic garlic, onions and carrots inside dumplings and combined with organic noodles, tofu and hoisin sauce, this product is also dairy-free, lactose-free, tree nut-free, vegan, kosher and plant-based.



LEAN CUISINE ORIGINS CHEESE & FIRE-ROASTED CHILE TAMALE:

This 70% organic product, part of the newer Origins line from the venerable Lean Cuisine brand, has no artificial flavors, colors or preservatives, contains no GMO ingredients and is made with organic brown rice.

THE WHOLE PACKAGE

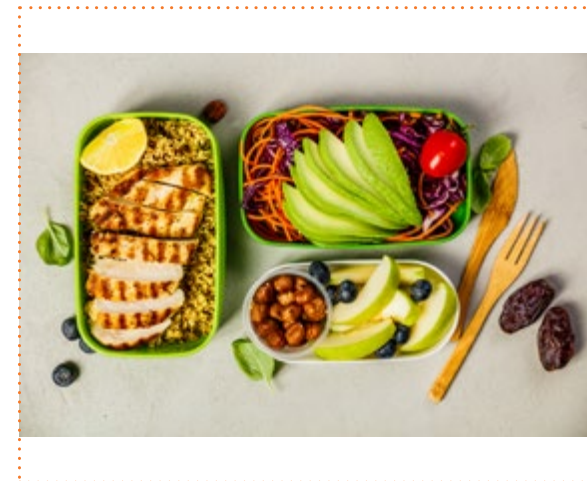
Call it sustainability, call it farm to table, call it holistic. However it's described, converging interest and market trends underscore a broader recognition of production and eating in a more transparent, big-picture way. Organic is one aspect of this overall growing interest. Most consumers, especial younger ones between 25 and 34, think that natural and organic foods are better for the environment.

Another part of this sea change is the increasing clamor for sustainable packaging and the drive to reduce food waste. In this philosophy, which is gaining traction among many people around the world, the health and wellness of the individual is inextricably linked to the health and wellness of the planet. Sustainability, then, is a full-circle approach that includes the sourcing of ingredients all the way through to package disposal.



HAPPY FAMILY ORGANICS:

This is the first organic baby food brand to pledge to make its packaging fully reusable, recyclable or compostable by 2025.



SUN BASKET:

The meal delivery service uses packaging that is 100% recyclable for compostable for its certified-organic meals, including packaging for its Spicy Balinese chicken with cucumber-cabbage salad.

THE TAKEAWAYS

Going forward, the holistic, circular approach to eating and drinking is expected to propel the growth of the organic market. Some reports predict that the organic food market in the U.S. will reach \$70.5 billion by 2025, as more products are available and as more consumers continue adding organic products to their regular consumption habits. Not all organic foods and beverages are on the upswing. Although organic milk and produce lead the overall organic market, both categories have shown slight declines in the past year or so. And remember the naysayers mentioned previously – keep that contingent in mind when you consider and work through the implications of organic. Overall, however, there is opportunity in organic. Some consumers believe that it is more transparent and even healthier than the alternative.

SOURCES

- GNPD
- FDA
- Hexa Research
- IRI
- Mintel
- Nielsen
- Purchase Intelligence
- Infegy
- Organic Trade Association
- Packaged Facts
- SPINS
- USDA



YOU DESERVE MORE. LET'S GET STARTED.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Increase market share and get to your "what's next." Our technical flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you – every step of the way. Contact our sales service department at **630.578.8600** to request a flavor sample or **chat us up at www.fona.com/contact-fona/**