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Organic Produce Network

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2022 Q3

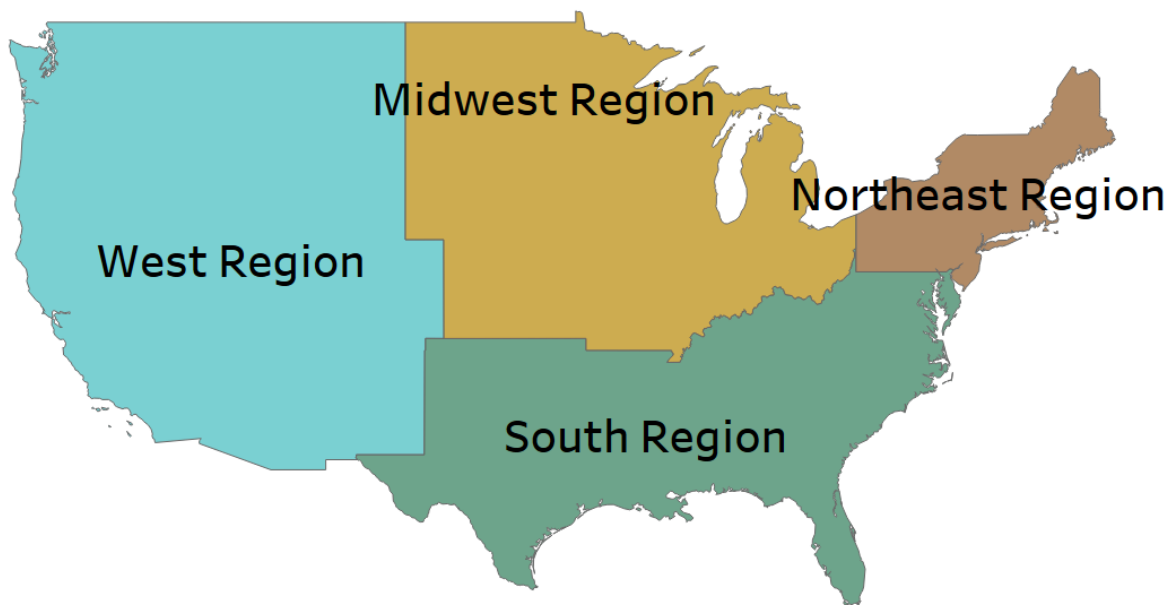
Organic Produce Performance

October 17, 2022

2022 Q3 Organic Produce

Background

- This report covers organic fruit and vegetable performance for the Total U.S. as well as four U.S. regions.
- Reporting period covers 13 weeks of Q3, 2022 (W/E 7/9/22—10/1/22) vs. the same period last year.
- This report was prepared by Category Partners exclusively for the Organic Produce Network.
- Data in this report is provided under contract by Nielsen. Coverage is the database for total food sales in the United States including all outlets, i.e. supermarkets, mass merchandisers, club stores, dollar stores, convenience stores and military commissaries. Nielsen offers the industry's broadest measurement of total retail food inclusive of UPC and fresh non-UPC (random-weight) products across the entire store, for roughly 90,000 stores nationwide.
- Data coverage includes all fresh fruit and vegetable categories sold in produce departments. The data also excludes some non-fresh products that are often sold in produce.
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Overview

Organic fresh produce in Q3 of 2022 grew in dollars by 4.1%, and declined in volume by 4.5% year over year. The Total Produce department gained 8.3% in dollars for Q3 of 2022 and declined by 1.5% in volume. In an inflationary time period we see this standard of growth for dollars and decline for volume repeated for the majority of organic and conventional items. When we look at pricing, conventional produce average price/Lb. has grown by 10.3% compared to Q3 of 2021, while the organic produce average price/Lb. rose by 8.9%.

Overall, the average price/Lb. has grown by 21¢ for the Total Produce department compared to Q3 of 2021. With rising prices we may be seeing more selective organic shopping from consumers, as they substitute higher-priced organic items for conventional items.

Organic apples and lettuce were examples of substitution as their price/Lb. increased by more than double the amount of conventional, resulting in volume decline as high as 15%. Conventional apples had a positive volume growth of 2% and conventional lettuce had volume similar to last year, resulting in higher dollar gains. Although not all categories shared the same results, Q3 of 2022 showed volume sensitivity, possibly due to pricing.

Volume performances were different for both organic and conventional produce wholistically. Conventional produce has steadily declined over the past three years. Total conventional volume has nearly fallen back to levels last seen in Q3 of 2019. Meanwhile, organic produce has had small declines, but is still vastly improved from Q3 of 2019. This shows a positive future for organics, as quarter over quarter we continue to see the gap narrow between organic and conventional items.

Q3, 2022 Highlights

During Q3, organic produce continued to show growth in dollars but declined in volume. Despite the slight decline in volume, we have still not seen any signs that volume will revert back to pre-Covid19 levels.



Organic sales in Q3 2022 were positive, but volume declined. Conventional produce dollars rose higher than organic dollars by 4.8pp and declined in volume by a smaller degree than organic.

Conventional produces' price per/Lb. increased by 10.3% in Q3 compared to the same period last year. However, organic produce had a higher nominal price increase of 11¢ per/Lb. more than conventional.

Organic tomatoes had an incredible quarter as they had a 19% increase in volume and a 30% increase in dollars. Organic tomatoes led the quarter as the top organic vegetable in dollars.

The South region of the U.S. saw the highest dollar growth and the lowest volume change compared to last year. With a fairly low ACV, it suggests that the potential for growth in the South will continue.

Total U.S. Organic Trend

Comparing Q3 2022 to Q3 of the past three years shows that organic volume is declining. Organic's percentage decline in volume was more than 3pp higher than the decline in conventional volume for Q3 of 2022.

Conventional produce outperformed organic produce in dollar growth, suggesting price increases in conventional have been more easily absorbed by consumers than the higher prices in organics.

Current trends show both conventional and organic produce volume shrinking year over year. Although volume for both conventional and organic produce are below Q3 of 2020, both are consistently gaining in dollars.

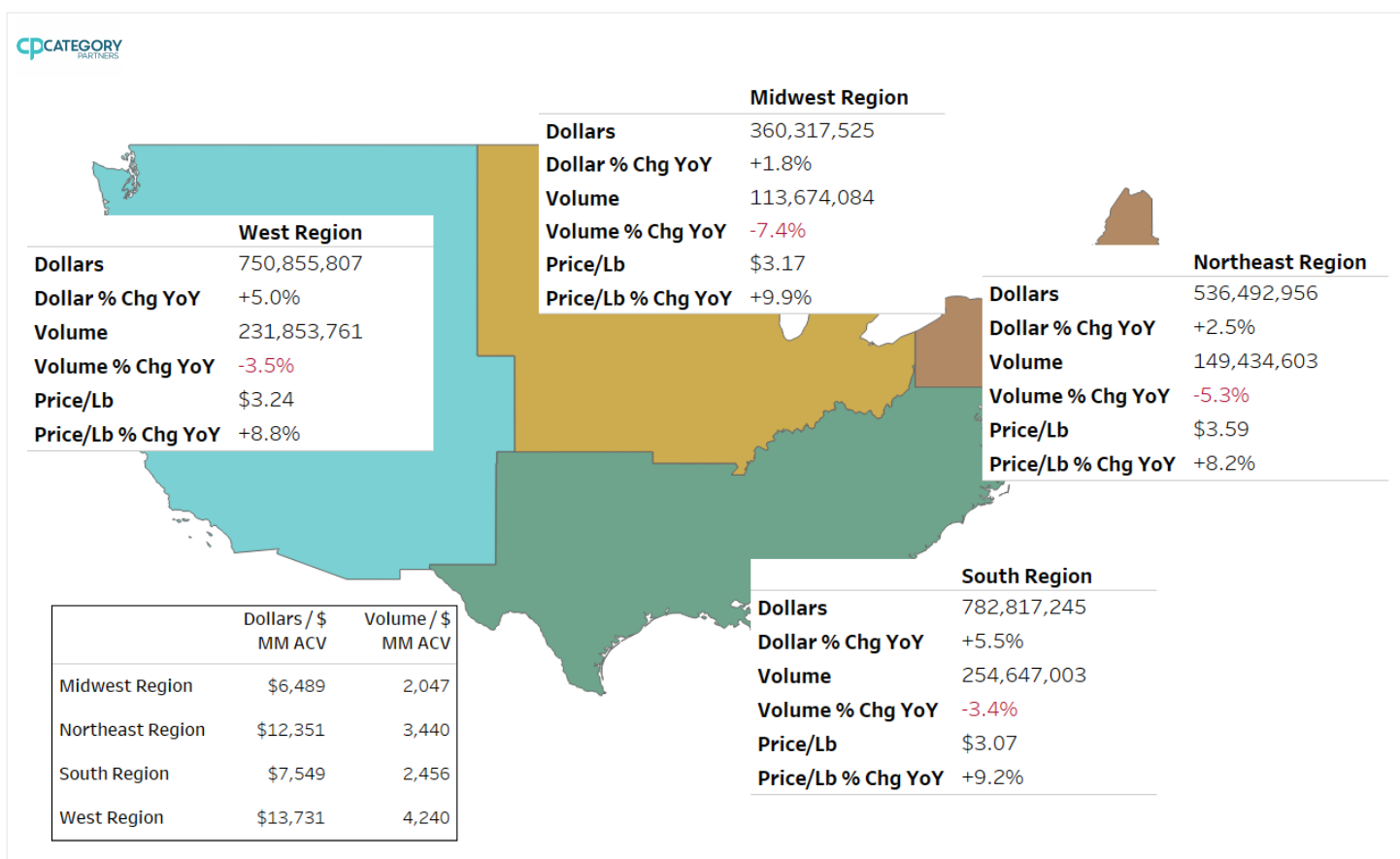
Four Year Performance - Jul thru Sep



Regional Performance

Organic performance during Q3, 2022 was consistent between all regions where dollars grew and volume declined. The Midwest region saw the lowest dollar growth and highest volume decline while being the region with the highest price/Lb. increase.

The South Region continues to show the most improvement year over year, which is consistent with previous quarterly reports. The South has a fairly low ACV compared to the Northeast and West, suggesting that the potential for growth in the South will continue.

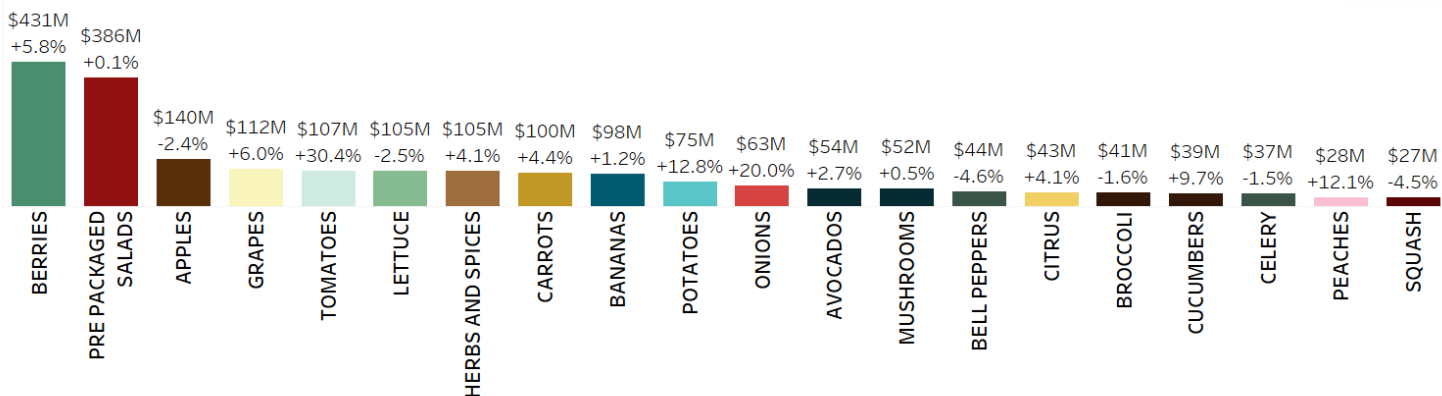


Dollar Performance

For Q3 of 2022, 14 of the top 20 categories posted increases in dollars. Organic tomatoes generated the largest percent increase in dollars gaining 30.4%, followed by blackberries, onions, and potatoes.

Conversely, apples posted the largest decline in dollars, while lettuce and bell peppers also posted noticeable declines. Berries and salads continue to be the top two organic produce categories, as they hold 39% of total organic produce dollars.

Categories by Dollar - Q3 2022

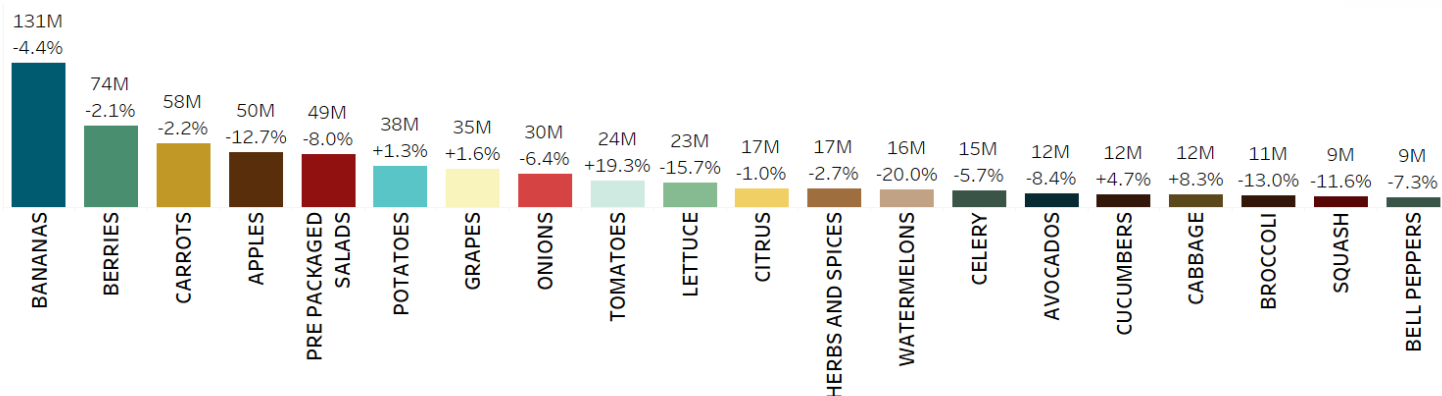


Volume Performance

For Q3 of 2022, 15 of the top 20 categories posted declines in volume with only 10 of those categories displaying positive dollar growth. Some notable exceptions would be tomatoes which gained a high amount in both dollars (+30.4%) and volume (+19.3%), along with potatoes and grapes.

Organic apples posted the largest nominal decline in volume out of top categories, followed by bananas and lettuce.

Categories by Volume - Q3 2022



Price Over the Years

Organic prices in aggregate are still substantially higher than conventional. However, over the past two years, the average price of both conventional and organic produce has increased.

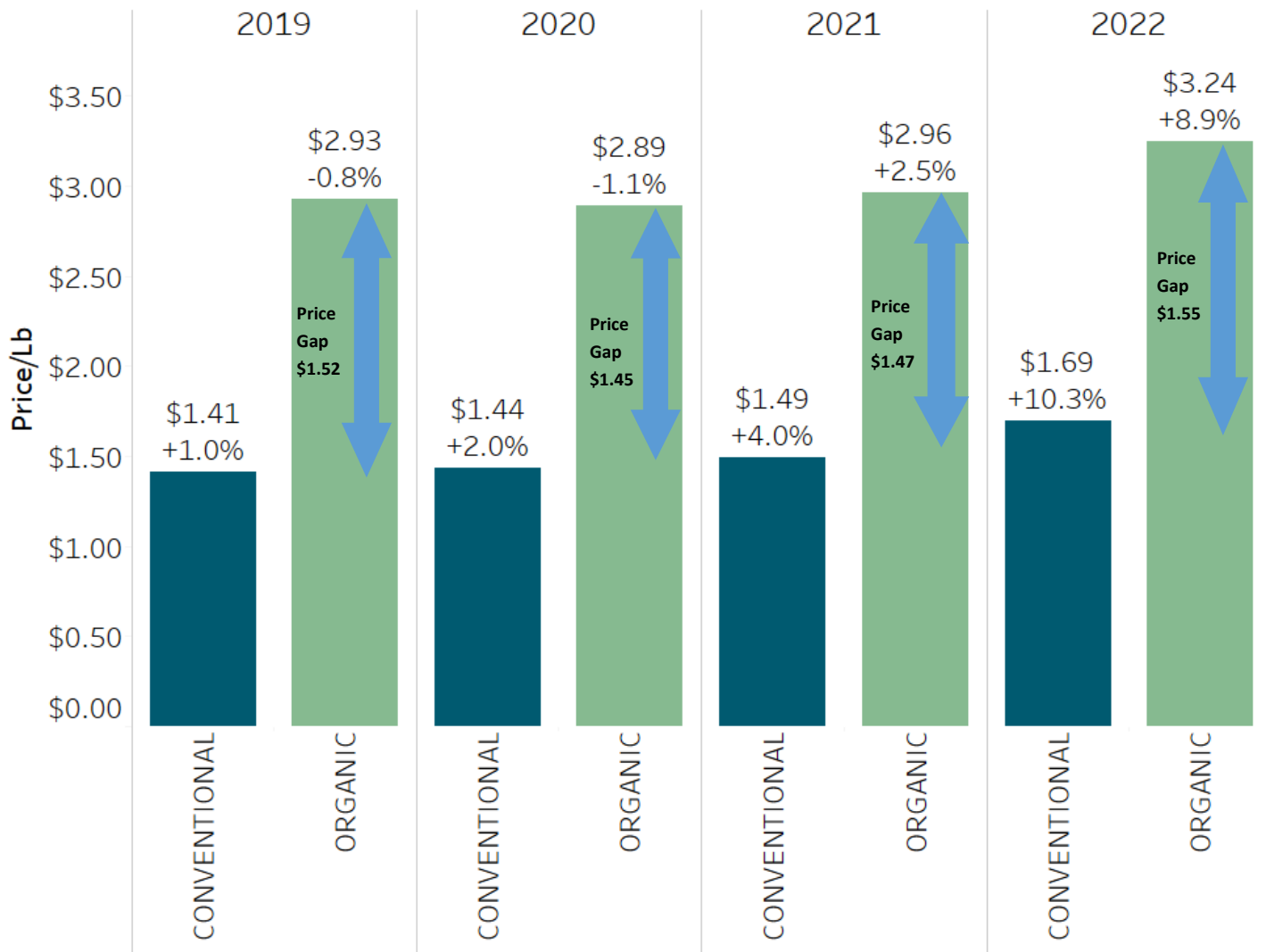
In 2022 the average price of organic produce rose 8.9% compared to a 10.3% increase in conventional pricing. Increases in pricing could take effect on total produce volume for future quarters.

Although the percentage growth for conventional items is higher, nominal growth is higher for organic items by 11¢ per/Lb.

In Q3, 2022, the average price gap between conventional and organics is now the largest it has been in the last four years. In an inflationary time period, it will be important for organic suppliers to understand how their pricing impacts switching behavior among various consumer segments.



Organic vs Conventional Price by Q3 Last 4Yrs





Background

This report on organic produce performance was compiled and developed under the direction of Matt Seeley of the Organic Produce Network by Tom Barnes and Connor McBride of Category Partners. Data and charts in this report may be reproduced by recipients provided source attribution is used as follows: Source: Organic Produce Network and Category Partners, powered by Nielsen Total US Scan, Jul - Sep, 2022. Category Partners is a strategic insights company focusing exclusively on the fresh industries in the retail grocery channel. The company works exclusively with growers, marketers and retailers of conventional and organic fresh foods by providing data solutions, analysis, and insights on product performance, consumer preferences and industry trends.



Tom Barnes

Chief executive officer at Category Partners. He is a 20-year industry veteran and has spent nearly his entire career working in marketing, consumer research, and data analytics in the fresh produce industry.



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