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Organic Produce Network

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2022 Q2
Organic Produce Performance

July 18, 2022

2022 Q2 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 Q2, 2022 (W/E 4/2/22—6/25/22) 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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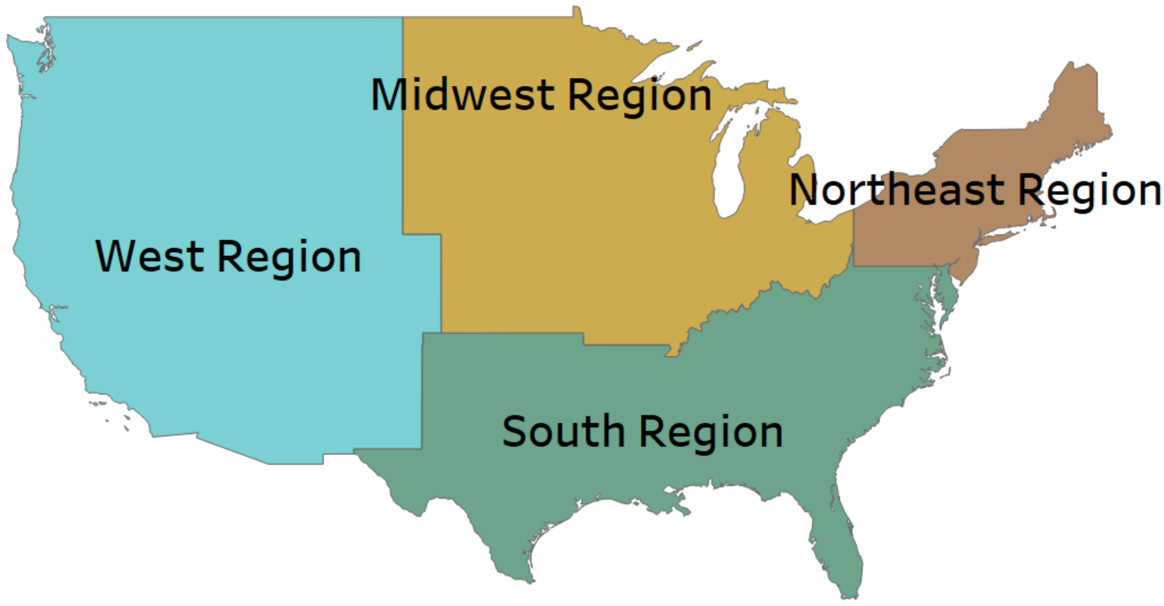


Source: Organic Produce Network and Category Partners, powered by NielsenIQ Syndicated, Apr—Jun, 2022

Overview

Organic fresh produce in Q2 of 2022 gained in dollars year over year, but declined in volume. Total Produce department in general gained 6.7% in dollars for Q2 of 2022 and declined 2.1% in volume. Organic produce declined in volume by 2.8% year over year but gained 3.7% in dollars. Conventional produce posted larger percentage gains in dollars with smaller percentage declines in volume. Conventional produce average pricing jumped by more than 9% compared to 2021 while the organic produce average price rose by 6.7%. Although conventional had a higher percentage increase in price, organics had a higher nominal increase in price. This illustrates possible substitution, as we may be seeing price sensitive consumers opting for more lower priced conventional items rather than organic items.

Not all produce categories are created equal when it comes to rising prices. Although the vast majority of prices rose, organic blackberries declined in price compared to the same time in 2021. With mushrooms, squash, and herbs and spices only rising in price by around 1%. Conversely, organic avocados and limes both rose by more than 20% in average price year over year.

Organic sales in Q2 2022 were positive, but volume declined slightly. Conventional produce dollars rose higher than organic dollars by 3.3% and declined in volume by a smaller degree than organic.

Where conventional and organic produce differ is based on their volume performances. Conventional produce has steadily declined to have total volume less than volume from Q2 of 2019. Meanwhile organic produce has had small declines, but is still vastly improved from Q2 of 2019. This shows a positive future for organics, as we continue to see the gap shorten between organic and conventional items.

Q2, 2022 Highlights

During Q2, 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.

Conventional produce average price increased by more than 9% in Q2 compared to the same period last year. However, organic produce had a higher nominal price increase by 5¢ per lb more than conventional.

Organic bananas had an incredible quarter as they had a 4% increase in volume, and an 8% increase in dollars. Bananas are the lowest priced organic fruit, which could suggest that consumers may be substituting higher priced organic snacking items with lower priced organic snacking items.

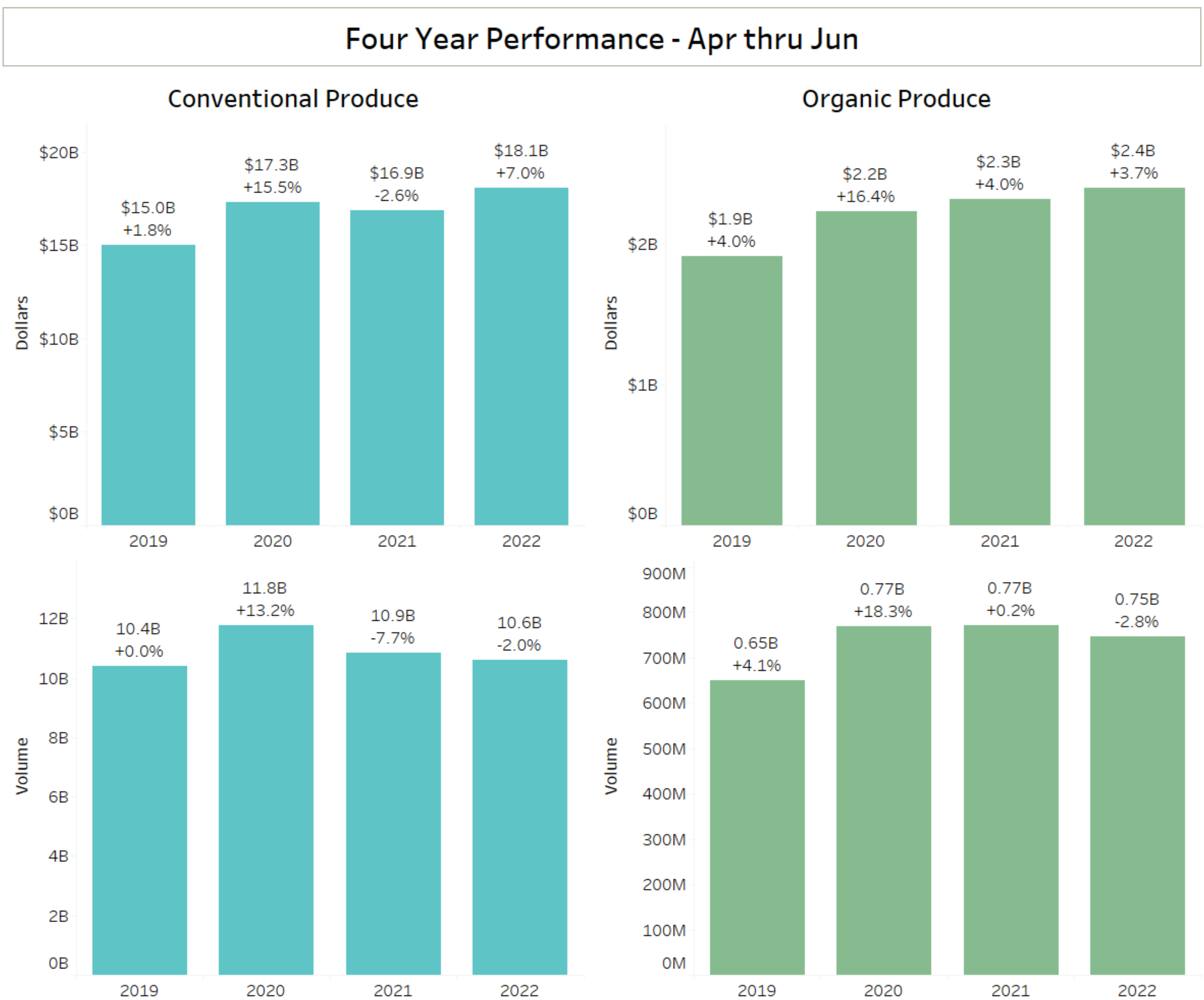
Despite being the only category to decrease its price, blackberries stood out in Q2 as one of few categories to post gains in both dollars and volume of more than 27%

Total U.S. Organic Trend

Comparing Q2 2022 to Q2 of the past three years shows that for the first time organic volume declined year over year. This decline in volume was slightly greater than the decline in conventional volume for Q2 of 2022. Dollars, however, continue to grow, even after two years of growth due to higher prices across all produce.

Conventional produce outperformed organic in dollar growth, suggesting price increases have been more substantial in conventional produce than in organic.

Current trends show both conventional and organic produce volume shrinking year over year.



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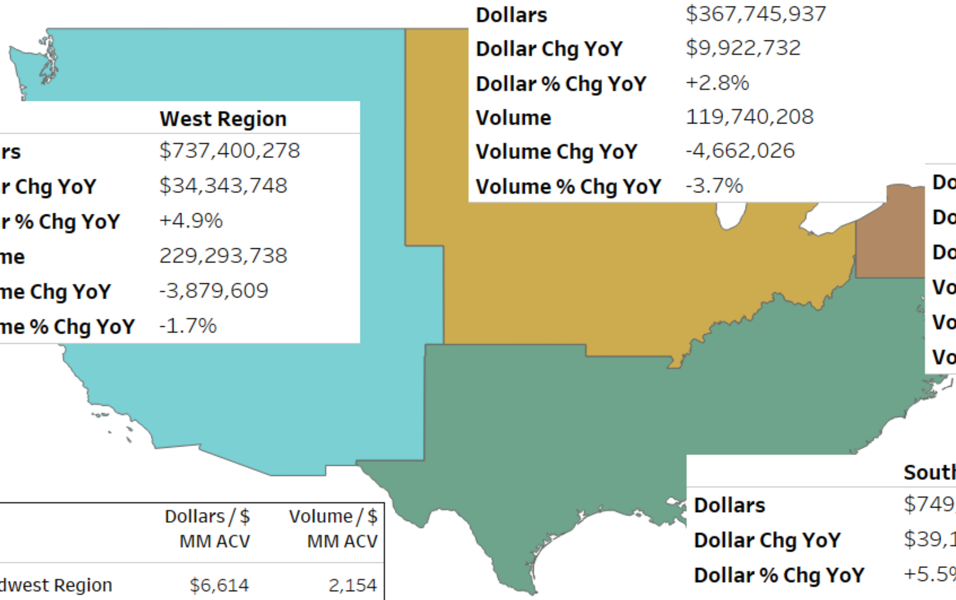
Regional Performance

Organic performance during Q2, 2022 was weakest in the Northeast region where dollars increased by a mere 0.4% and volume fell by 6.1%. Dollars increased in every other region and volume posted decreases nationwide.

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.



	Midwest Region
Dollars	$367,745,937
Dollar Chg YoY	$9,922,732
Dollar % Chg YoY	+2.8%
Volume	119,740,208
Volume Chg YoY	-4,662,026
Volume % Chg YoY	-3.7%

	West Region
Dollars	$737,400,278
Dollar Chg YoY	$34,343,748
Dollar % Chg YoY	+4.9%
Volume	229,293,738
Volume Chg YoY	-3,879,609
Volume % Chg YoY	-1.7%

	Northeast Region
Dollars	$547,081,426
Dollar Chg YoY	$1,986,096
Dollar % Chg YoY	+0.4%
Volume	154,381,666
Volume Chg YoY	-10,053,298
Volume % Chg YoY	-6.1%

	South Region
Dollars	$749,757,351
Dollar Chg YoY	$39,150,862
Dollar % Chg YoY	+5.5%
Volume	243,702,276
Volume Chg YoY	-3,138,985
Volume % Chg YoY	-1.3%

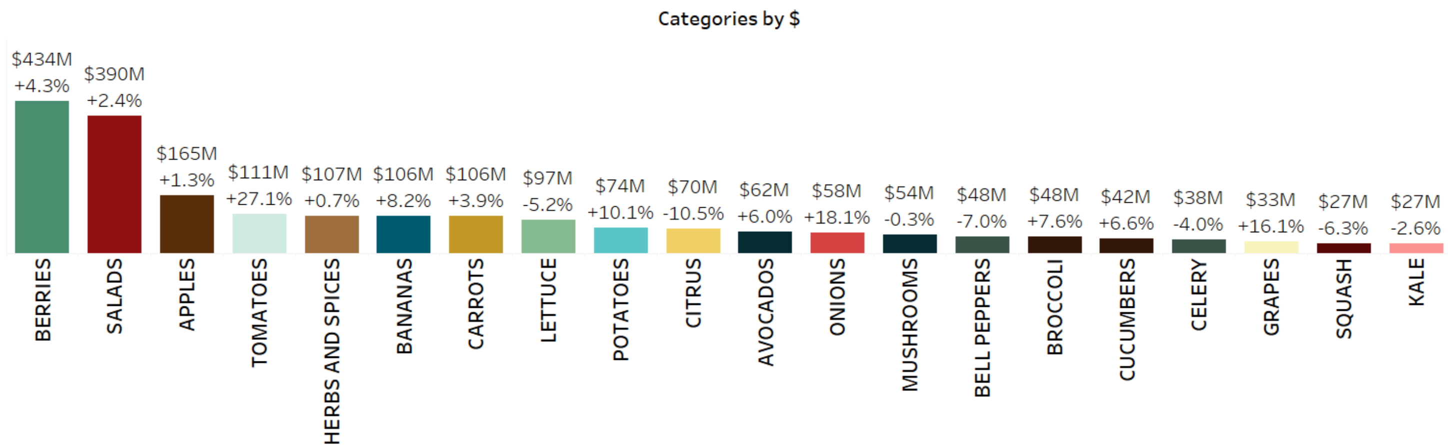
	Dollars / $ MM ACV	Volume / $ MM ACV
Midwest Region	$6,614	2,154
Northeast Region	$12,471	3,519
South Region	$7,219	2,347
West Region	$13,426	4,175

Source: Organic Produce Network and Category Partners, powered by NielsenIQ Syndicated, Apr—Jun, 2022

Dollar Performance

For Q2 of 2022, 13 of the top 20 categories posted increases in dollars. Organic blackberries generated the largest percent increase in dollars gaining 27.6%, followed by tomatoes, onions, and raspberries.

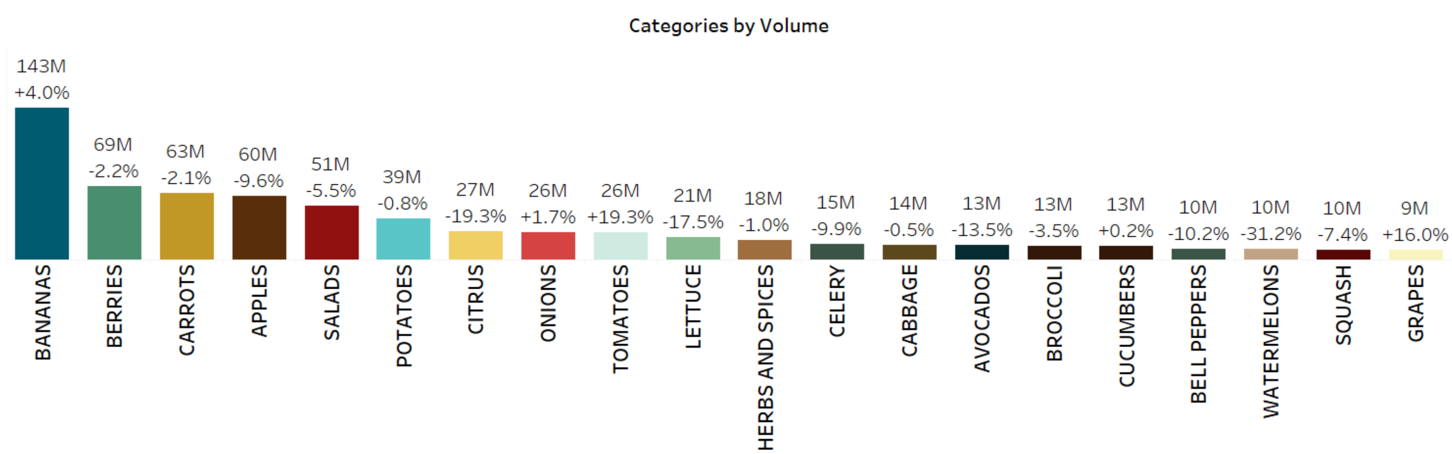
Conversely, blueberries posted the largest percent decline in dollars with bell peppers and squash also posting noticeable declines. Berries and salads continue to be the top two organic produce categories, as they hold 39% of total organic produce dollars.



Volume Performance

For Q2 of 2022, 15 of the top 20 categories posted declines in volume despite positive dollar growth, suggesting what we all know; prices are up compared to Q2 of last year. Some notable exceptions would be blackberries which gained almost the same amount in both dollars (+27.6%) and volume (+28%), along with tomatoes, grapes, and raspberries.

Organic blueberries posted the largest percent decline in volume, with lettuce volume also declining 17.5%. Avocados also had a heavy volume decline of 13.5% despite a positive 6% change in dollars.



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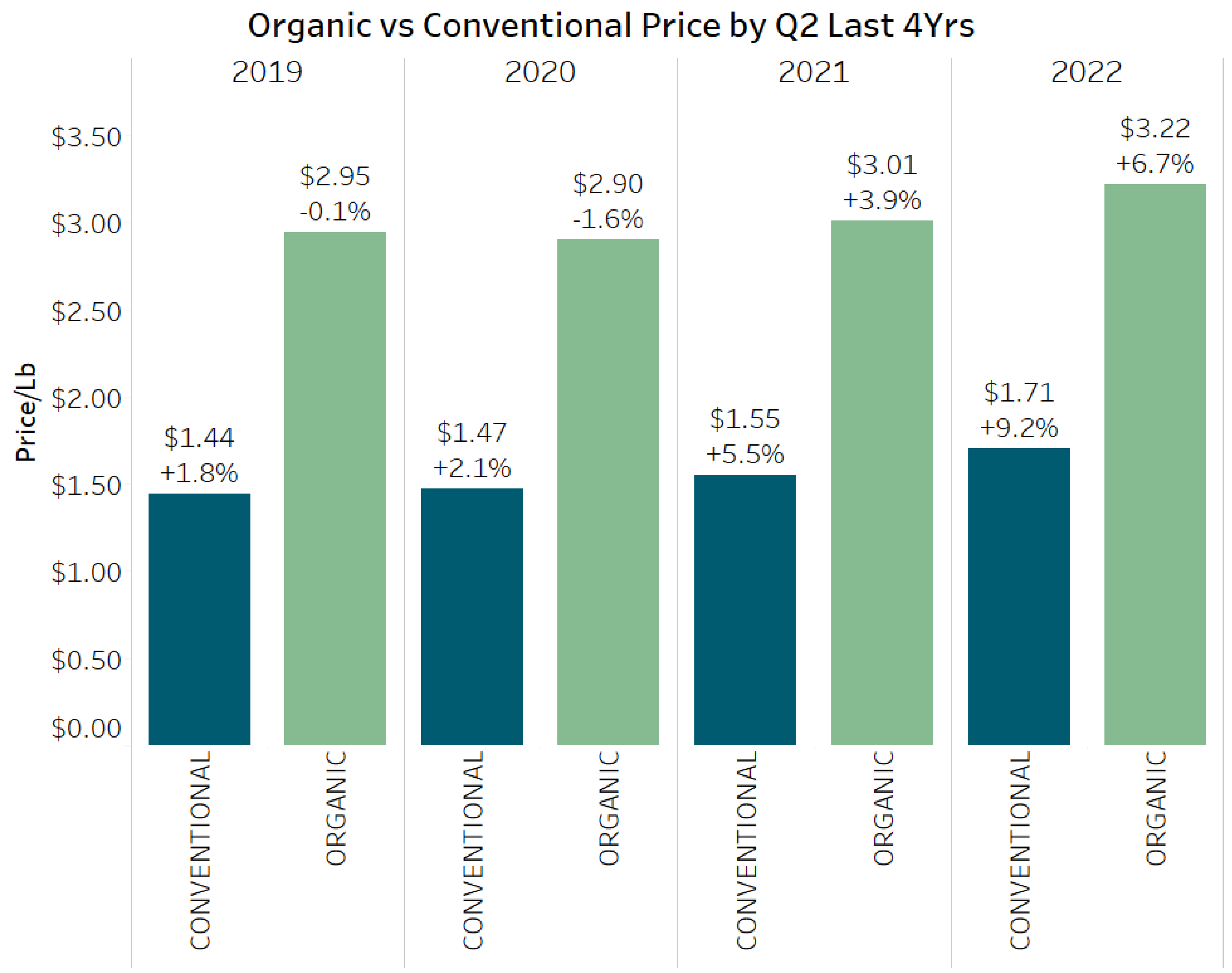
Price Over the Years

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 average price of organic produce has risen 6.7% compared to a 9.2% increase in conventional average price. With both organic and conventional prices increasing, we can see the result take effect on total produce volume.

Although the percentage growth for conventional items is higher, nominal growth is higher for organic items by 5¢ per lb.

It will be imperative for organic suppliers to be cognizant of not only the rising costs of organic produce, but also of the light organic shoppers who may be more enticed to substitute lower cost conventional items in place of similar higher priced organic items.



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, Apr - Jun, 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.

Connor McBride

Data analyst for Category Partners. His work in fresh foods focuses on utilizing performance data to identify opportunities for dollar and volume growth in retail channels, provide analytical insights, and develop executive-level presentations.