



OPNTM

Organic Produce Network

2021 Q2

Organic Produce Performance

July 12, 2021



Overview — 2021 Q2 Organic Produce Report

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, 2021 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 includes some non-fresh products that are often sold in produce. Examples are refrigerated/non refrigerated salad dressings, nuts and seeds, some bulk food products, some health/nutrition snacks and bars, salad toppings, dried fruits, etc.
- 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, April-June, 2021*



Q2 2021 Quarterly Report

OVERVIEW

Organic fresh produce generated and maintained strong sales and volume throughout the pandemic period. However, widespread pantry loading purchases dominated shopper behavior during Q2, 2020. As such, sales in Q2 2021 compared to the same quarter last year are (not surprisingly) below the historical long term growth trends we have come to expect for organic produce. Vegetable categories in general benefited during the pandemic as consumers were forced to shift meals from foodservice outlets to home consumption. This shift moved out of home food consumption into meal preparation in homes giving larger lifts to many vegetable categories. As the food service sector re-opened, consumers began to shift some meals back to foodservice channels. The net result in Q2, 2021 is many produce categories had relatively tepid growth when matched against Q2, 2020.



Organic sales and volume growth in Q2 2021 were positive but below historical trends. However, this was solely a result of the performance spike that was driven by Covid-19 pantry loading in Q2 2020.

The good news is Q2, 2021 still generated year over year growth in organic produce despite a comp period of Q2 2020 when pandemic-driven shopping distorted consumer behavior. In fact, Q2 organic produce still generated dollar and volume growth while conventional produce declined against Q2 last year.

Looking back to earlier this year, Q1, 2021 revealed this same trend with organic produce delivering growth for the period. Organic produce growth was higher than conventional produce which actually showed a small volume decline.

It's apparent that consumer supermarket food purchases increasingly reflect the more traditional buying trends vs. Covid inspired purchasing changes. It is also encouraging that even though consumer purchases of conventional produce were lower than Q2, 2020 organic produce continued to generate growth. This shows that the longer term trend of consumers moving toward organic produce continues to grow.



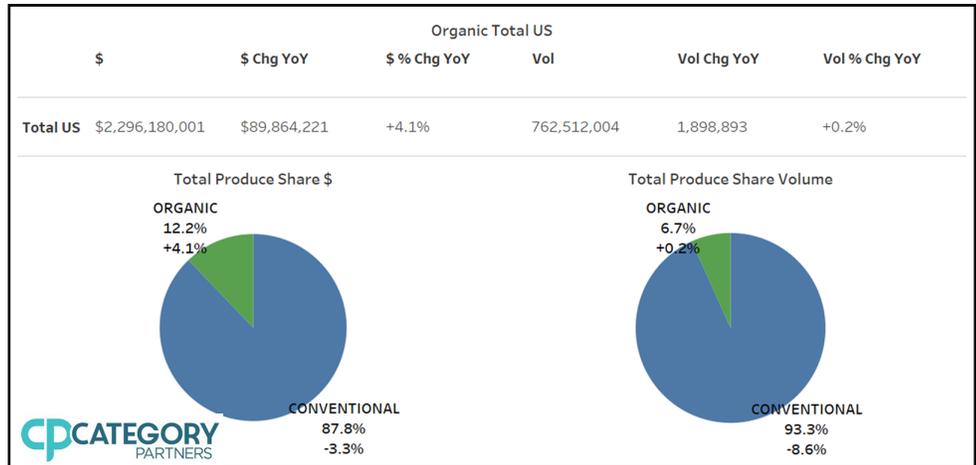
Q2, 2021 Highlights

- During Q2, organic produce continued to show growth, even when compared to Q2, 2020, a period when the Covid pandemic closed most foodservice outlets causing supermarket sales to soar. Total organic dollars increased by 4.1% over Q2 last year.
- Conventional produce dollars decreased by -3.3% in Q2, 2021 compared to the same period last year.
- Organics volume was essentially flat, showing a change in Q2 of +0.2%. This was significantly stronger than conventional produce which had a volume decline of -8.6% vs. Q2, 2020.
- Berries were the star organic category during Q2, 2021, increasing dollar performance by over 19% and volume by 16%. Berries displaced packaged salads as the #1 organic category in dollars for the first time.

Total U.S. Organic Performance — Q2, 2021

As noted, Q2, 2020 was a quarter that generated unnaturally strong sales last year due to the Covid pandemic. Food service outlets closed which shifted sales to supermarket as consumers sought out alternative sources for food. That changed in Q2, 2021 as Covid closures of food service outlets began to ease. This generally resulted in dollar and volume declines for Q2, 2021 across the supermarket and specifically in produce. Conventional produce dollars declined by -3.3% in Q2, 2021 vs last year while conventional volume dropped by -8.6%.

Remarkably, organic produce volume was actually unchanged in Q2 vs. the same quarter last year. Organic dollars moved up 4.1% on stronger pricing.

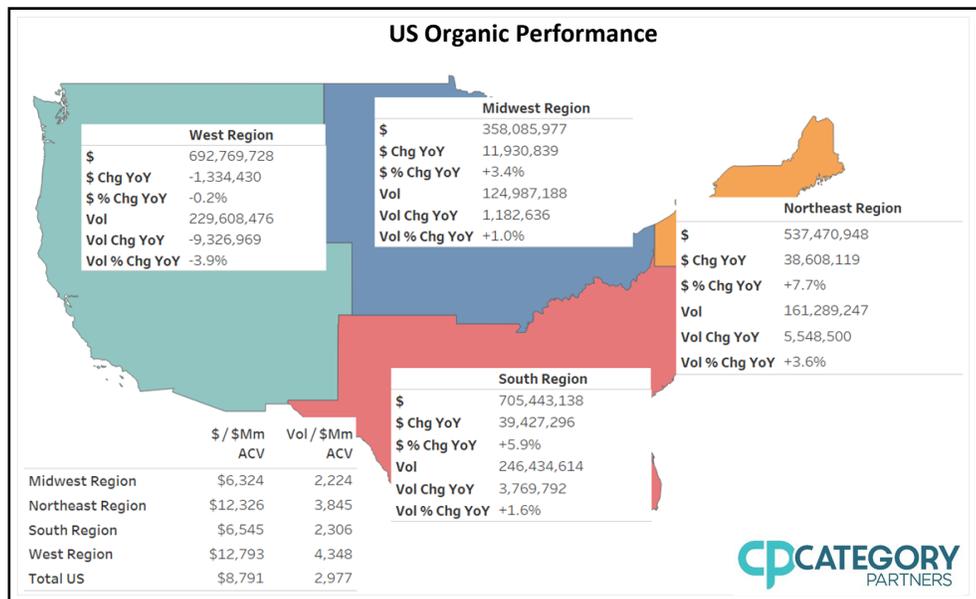


Regional Performance

Organic performance during Q2, 2021 was weakest in the normally strong Western region where dollars showed a small decline (0.2%) and volume fell by -3.9%. However, this is largely a phantom decline created by comparing against Q2, 2020 when organic sales soared by 17% in dollars and 18% in volume. Even with the volume decline, organic performance in the West Region remains very strong.

Organic performance gains were strongest in the Northeast region. During Q2, organic dollars jumped by 7.7% while volume increased by 3.6%. Dollar ACV performance in the Northeast is only slightly lower than the West.

The Midwest and South regions have the lowest ACV performance that is approximately half the levels generated in the West and Northeast. That said, organic dollars and volume both increased during Q2 in the Midwest and South. This is a particularly strong performance given that the comp period comparison is Q2, 2020 when Covid boosted sales across the store.



Q2 Top 10 Produce Categories — Organic Performance

Performance in the top 10 categories is critical to overall organic category performance. However, sales concentration in the top 10 organic categories is not as high as Q1 since availability of regionally-produced organic begins to expand. Nonetheless, organic performance is concentrated in the top 10 categories. As such, it is critical that retailers maximize performance in this top 10 organic categories.

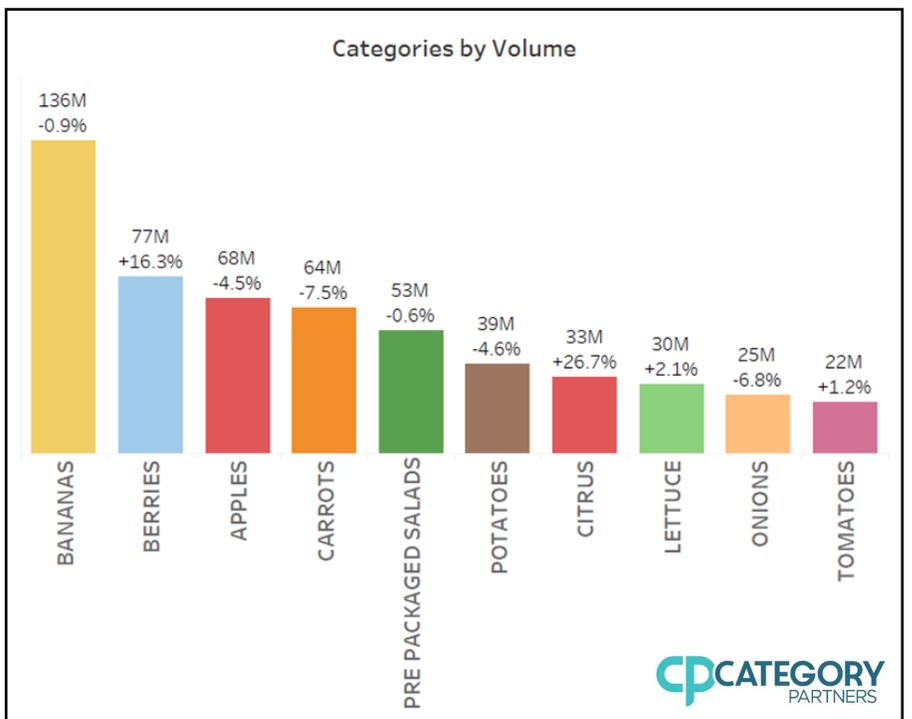
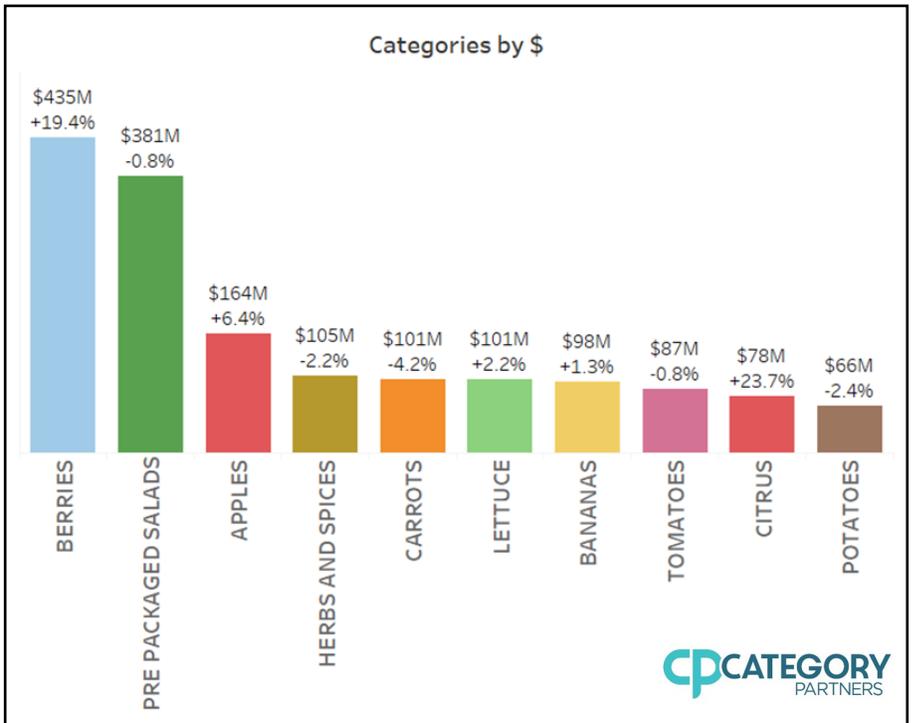
Dollar Performance

Organic Berries generated remarkable dollar growth during Q2. Dollar performance increased by 19.4%, the highest of all top 10 organic categories. In addition, this growth lifted berries into the #1 dollar position in organic produce pushing Packaged salads to the #2 position for the first time. Several other top 10 organic categories (Herbs, Carrots, Tomatoes, Potatoes) all had small dollar declines compared to Q2, 2020.

Volume Performance

In terms of Q2 volume, the Berry category was the star category, generating a volume gain of 16% vs. Q2, 2020, jumping to the #2 organic category in terms of volume. Citrus (+26.7%) Lettuce (+2.1%) and Tomatoes (+1.2%) also delivered volume gains for the quarter.

Banana volume was down slightly (-0.9%) yet remains the largest organic category by a significant margin. For the quarter, organic bananas delivered 136 million pounds of volume. Apples and carrots are both historically strong organic categories. However, of these key categories lost volume as neither could match the year ago Q2 sales levels set during Covid.

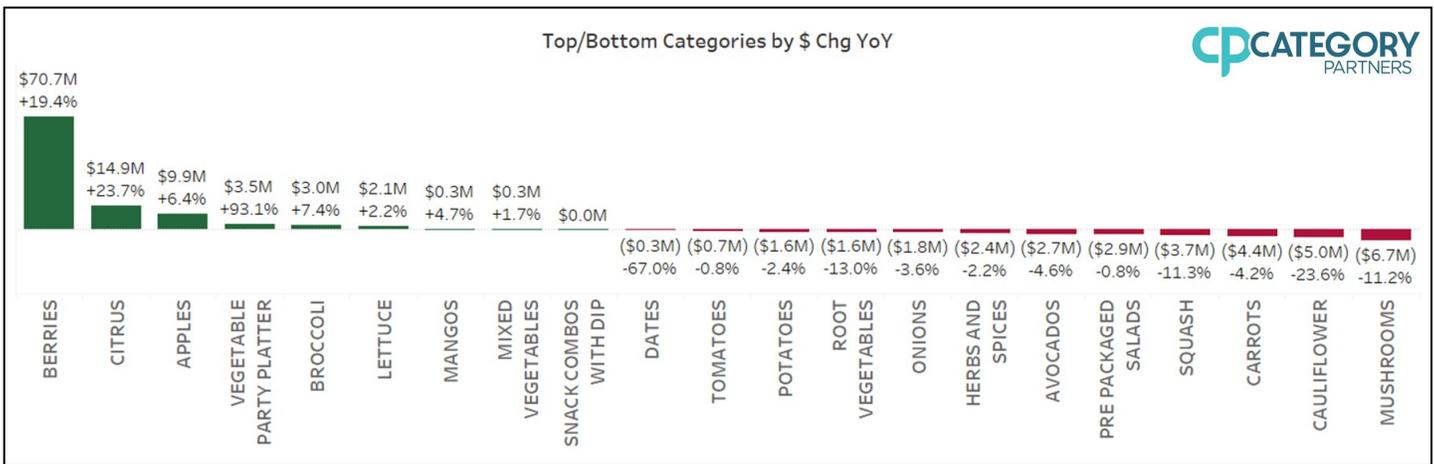


Q2, 2021 — Top and Bottom Growth Categories

Dollar Performance

As noted, sales last year peaked due to the Covid crisis which closed away-from-home food outlets. At that time, organic sales rode a wave of dollar and volume increases. The net result is on a comparative basis, many organic produce categories gave back some of these sales gain this year in Q2 as consumers returned to more normal consumption patterns.

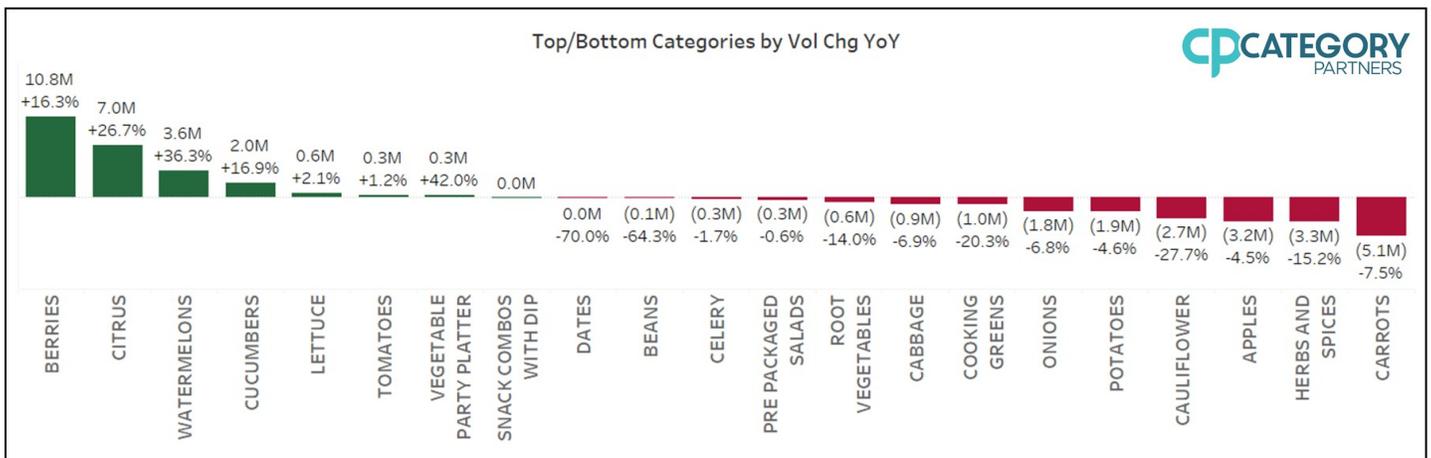
Increasing prices in many organic categories help mitigate volume declines. Nonetheless, dollar growth was below historical norms for the quarter. As noted on the previous page, Berries was the stand out category adding over \$70 million in incremental dollars. Citrus and apples also generated substantial dollar growth.



Volume Performance

Total organic volume was largely driven by three categories: Berries, citrus and watermelon. Multiple strong organic categories had volume declines including powerhouse organic contributors like Packaged Salads, apples, herbs and carrots.

The good news is that setting aside the performance spike that occurred in Q2, 2020, the overall trendline for organic produce volume remained positive.



Background

This report on organic produce performance was compiled and developed under the direction of Matt Seeley of the Organic Produce Network by Steve Lutz and Mike Long 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, April-June., 2021.*

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.



Steve Lutz is senior vice president for insights and innovation at Category Partners. He is a 40-year industry veteran and has spent nearly his entire career working in marketing, consumer research and data analytics in the fresh foods industry.



Jashon Newlun is a senior 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.