



OPNTM

Organic Produce Network

2022 Q1 Organic Produce Performance

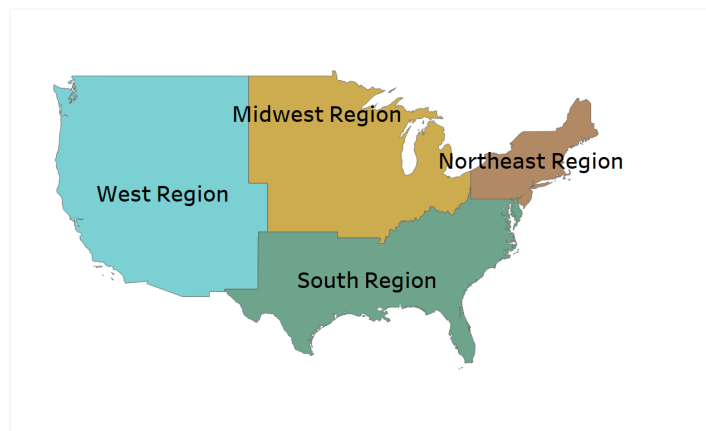
April 15, 2022

CPCATEGORY
PARTNERS

Overview — 2022 Q1 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 Q1, 2022 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. 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.
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Q1 2022 Quarterly Report

OVERVIEW

Organic fresh produce in Q1 of 2022 gained in dollars year over year, but declined in volume for the first time in a long time. Produce in general gained 6.9% in dollars for Q1 of 2022 and declined 2.7% in volume. Organic produce declined in volume by just below 1% year over year but gained 3.9% in dollars. Conventional produce posted larger percentage gains in dollars and larger percentage declines in volume. Conventional produce average pricing jumped by more than 10% compared to 2021 while the organic produce average price rose just below 5%. The fact that organic produce volume did not fall as drastically as conventional suggests that organic produce is less price-sensitive than conventional and has been able to absorb more of the price increase.



Organic sales in Q1 2022 were positive, but volume declined slightly. These results were due to a 6% increase in prices. Conventional produce rose by 10% and declined in volume by a greater degree than organic.

Not all produce categories are created equal when it comes to rising prices. Organic herbs and spices and celery both declined in price compared to the same time in 2021, with bananas, strawberries, and bell peppers only rising in price by around 1%. Conversely, organic avocados rose almost 40% in average price year over year.

What is heartening is that volumes are still elevated from Q1 of 2019. We believe that Q2 will tell us much the same story as we move further away from the anomaly that started at the tail end of Q1 in 2020 and moved through the entire 2nd quarter. There is still great potential in moving organics as long as suppliers and retailers stay laser-focused on pricing and making sure there is still a healthy gap between conventional and organic produce.

Q1, 2022 Highlights

- During Q1, organic produce continued to show growth in dollars but declined in volume due to elevated pricing. 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 10% in Q1 compared to the same period last year more than double the percentage price increase of organics.
- Avocado dollars gained just over 18% thanks to a significant price increase of almost 40%, however, this caused volume to decline by just over 15%.
- Strawberries stood out in Q1 as one of few categories to post gains in both dollars and volume of more than 16% year over year.



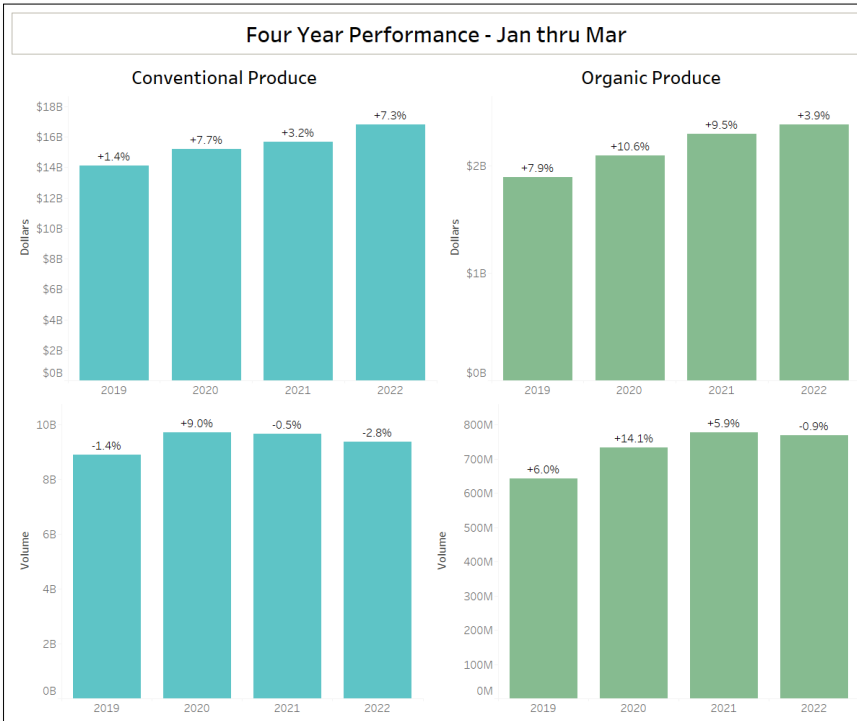
Total U.S. Organic Performance — Q1, 2022

Comparing Q1 2022 to Q1 of the past three years shows that for the first time organic volume declined year over year. This decline in volume was not as great as the decline in conventional volume for Q1 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.

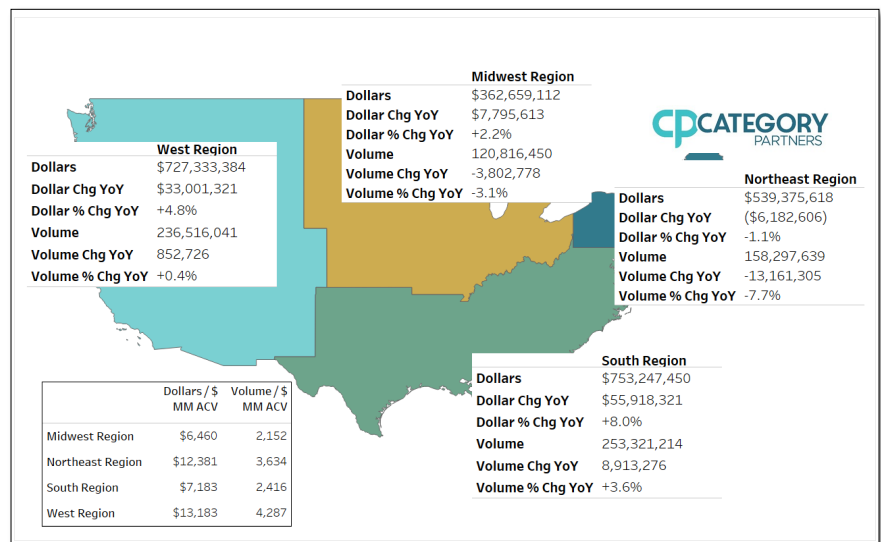
Despite the declines in volume in Q1 of 2022, organic volume is still higher than in 2019 and 2020.



Regional Performance

Organic performance during Q1, 2022 was weakest in the Northeast region where dollars declined 1.1% and volume fell by 7.7%. Dollars increased in every other region and volume posted a slight increase in the West and a noticeable 3.6% increase in the South.

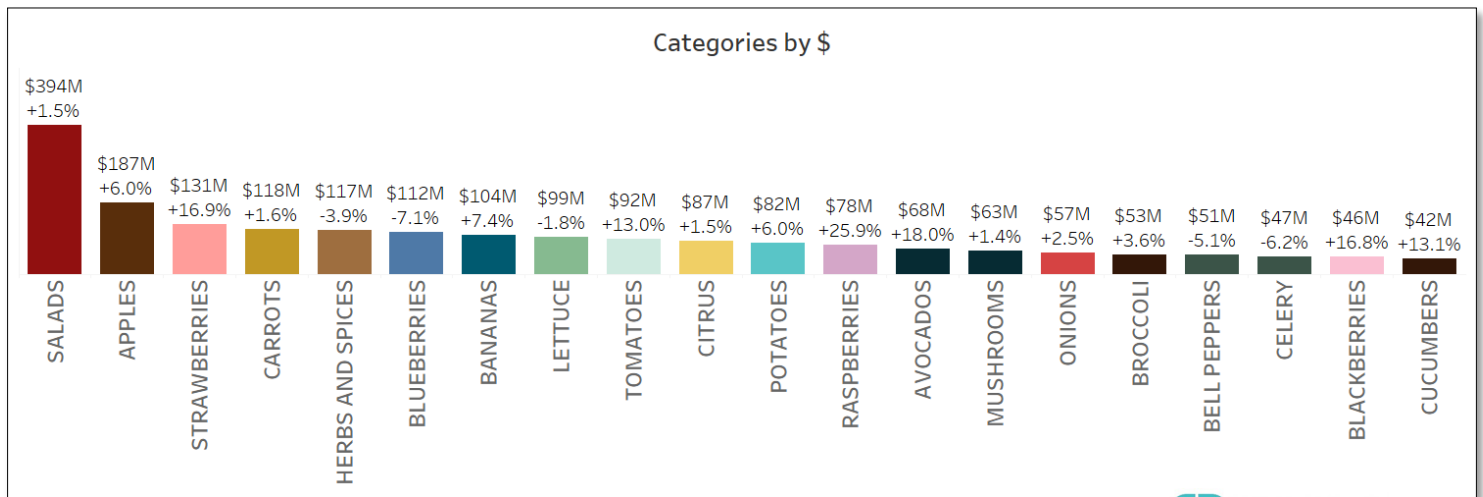
The South Region continues to show the most improvement year over year, which is consistent with previous quarterly reports. The South has a fairly low ACV compared to the Northeast and West, suggesting that the potential for growth in the South will continue.



Q1 Top 20 Produce Categories — Organic Performance

Dollar Performance

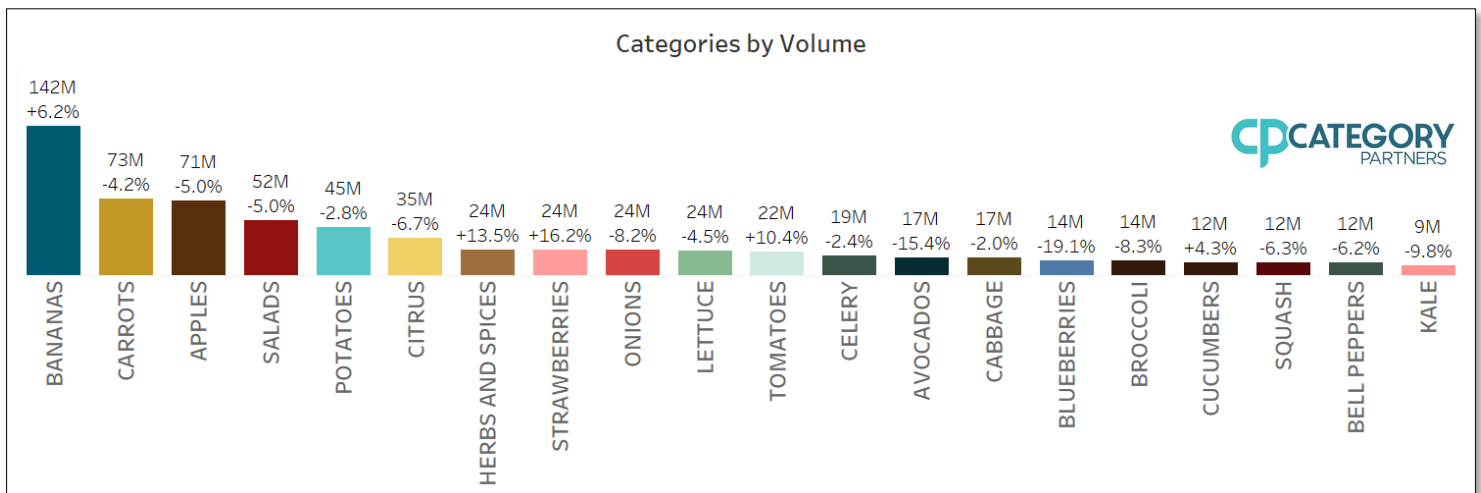
Organic raspberries generated the largest percent increase in dollars gaining almost 26%, followed by avocados, blackberries, and strawberries. Conversely, blueberries posted the largest percent decline in dollars with bell peppers and celery also posting noticeable declines. Pre-packaged salads continue to dominate the produce category in total organic dollars sold for the quarter and gained 1.5% year over year.



Volume Performance

For Q1 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 Q1 of last year. Some notable exceptions would be strawberries which gained almost the same amount in both dollars (+16.9%) and volume (+16.2%), along with bananas and tomatoes. Herbs and Spices gained in volume by 13.5% while declining in dollars suggesting lower prices despite the inflation we have seen in most other categories.

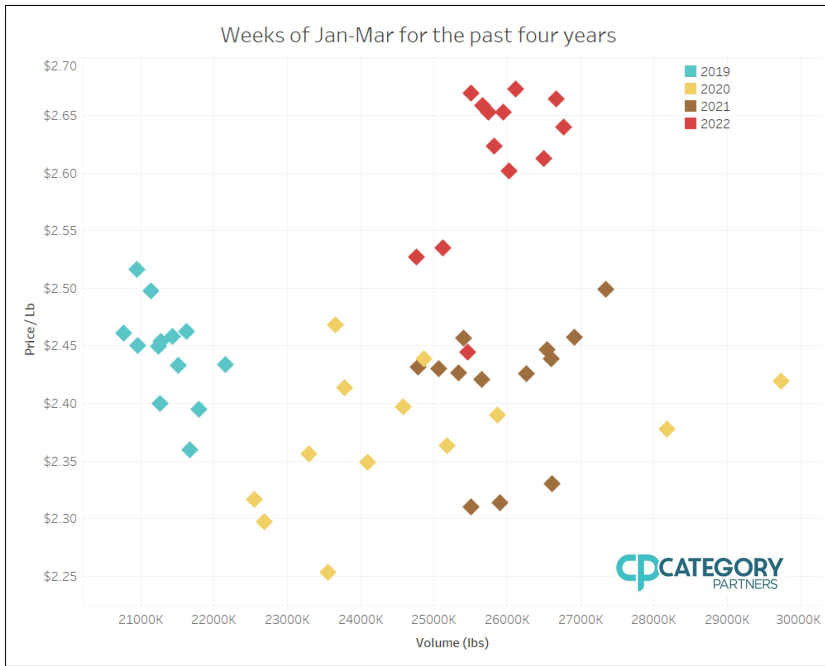
Organic blueberries posted the largest percent decline in volume, with avocado volume also declining 15.4% despite double-digit gains in dollars.



Q1, 2022 — Inflationary effect on organic produce

2022 Price is noticeably higher

Looking at the weeks of 2022 (red) in the scatter plot we see that the average price for all but one week is higher than any of the previous three years. However, it is also significant that volume for those weeks in 2022 is higher than both 2019 and most weeks of 2020, with the two outlier volume points in 2020 (yellow) being those weeks in March where everything went a little crazy.



Despite the noticeable increase in the average price of organic produce, we see that as we break the average price of \$2.60, volume has not shifted down to the levels we see in 2019 (blue) and most of 2020 (yellow).

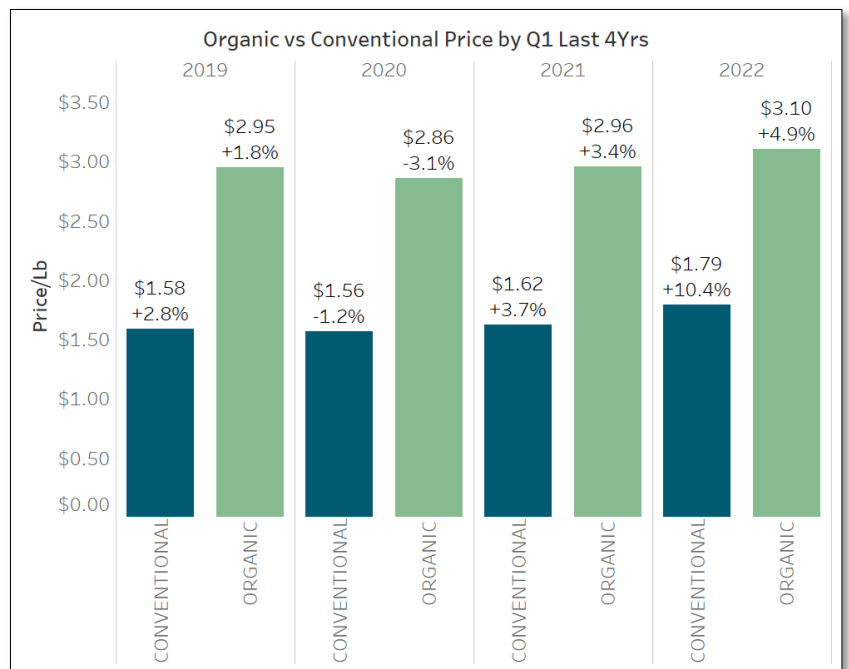
Even as the price continues to rise we are seeing organic volume holding firm, suggesting that organic produce as a whole could be considered less price sensitive.

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 4.9% compared to a 10.4% increase in conventional average price. This is more than double the increase in organic and is having a larger effect on conventional volume.

It will be imperative for organic suppliers to be cognizant of not only the rising costs of organic produce, but also the opportunity presented by a significantly larger increase in conventional produce price.



Source: Organic Produce Network and Category Partners, powered by Nielsen Total US Scan, Jan - Mar 2022.



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 Jashon Newlun of Category Partners.

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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 is 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.



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.