



OPNTM
Organic Produce Network

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2023 Q1

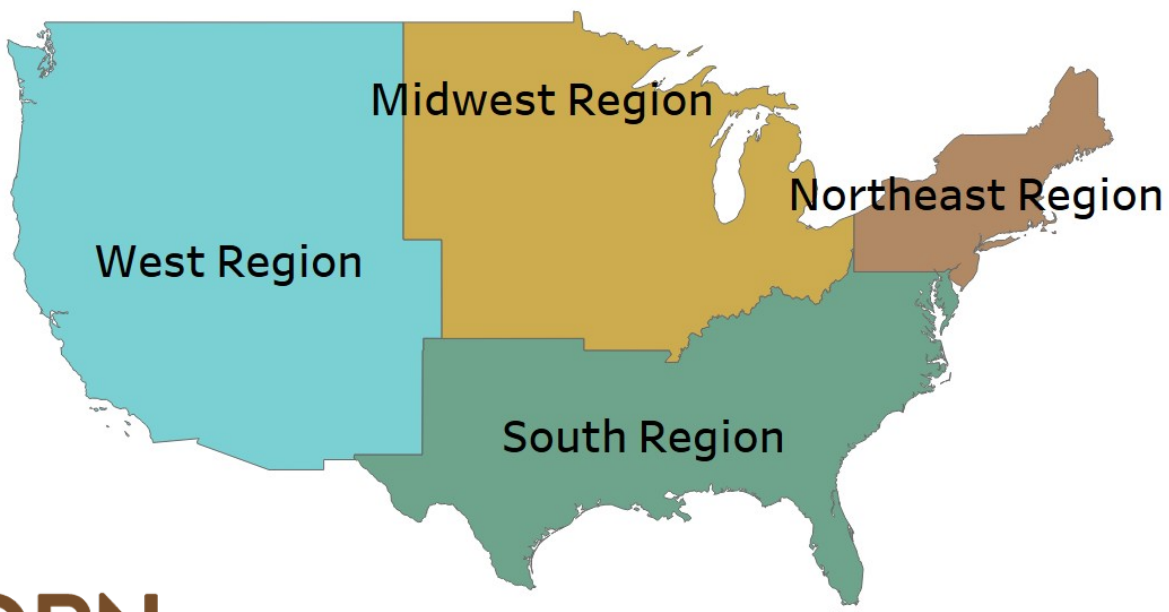
Organic Produce Performance

April 17, 2023

2023 Q1 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 2023 (01/01/23—04/01/23) 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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Organic Produce Network

Source: Organic Produce Network and Category Partners, powered by NielsenIQ Syndicated, 2023 Q1

Overview

Organic fresh produce in 2023 Q1 grew in dollars by .8%, and declined in volume by 3.4% year over year. The Total Produce department gained 2.6% in dollars for 2023 Q1 and declined by 1.3% 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 4.3% compared to 2022 Q1, while the organic produce average price/Lb. rose by 4.1%. Overall, the average price/Lb. has grown by 8¢ for the Total Produce department compared to 2022 Q1. With rising prices we may be seeing more selective organic shopping from consumers, as they substitute higher-priced organic items for conventional items.

Organic Tomatoes were the largest example of substitution as their price/Lb. increased by almost 3x the amount of conventional, resulting in volume decline of 8.1%. Most other categories with large differentials in price increase did not see large drops in organic volume. Although not all categories shared the same results, 2023 Q1 continues to show volume sensitivity, possibly due to pricing.

Volume performances were different for both organic and conventional produce holistically. Organics suffered more in 2023 Q1 as volume fell 3.4% compared to a 1.2% decline for conventional. While the trend for conventional volume is down since 2020, organics grew in the years not marked by mass inflation.

2023 Q1 Highlights

During 2022 and into Q1 2023, 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 2023 Q1 were positive, but volume declined. Conventional produce dollars rose higher than organic dollars by 2.1pp and declined in volume by a smaller degree than organic.

Conventional price per/Lb. increased by 4.3% in 2023 Q1 compared to the same period last year. However, organic produce had a higher nominal price increase of 7¢ per/Lb. more than conventional.

Organic grapes had an incredible quarter as they had a 37.3% increase in volume and a 40.2% increase in dollars. Pre Packaged Salads led the quarter as the top organic produce category in dollars.

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

Total U.S. Organic Trend

Comparing 2023 Q1 to the past four years shows that organic volume is declining. Organic’s percentage decline in volume was more than 2pp higher than the decline in conventional volume for 2023 Q1. This is most likely an inflationary trend and not indicative of organic growth in the long term.

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 conventional produce is below 2020 and organics are on par with 2020, both are consistently gaining in dollars.

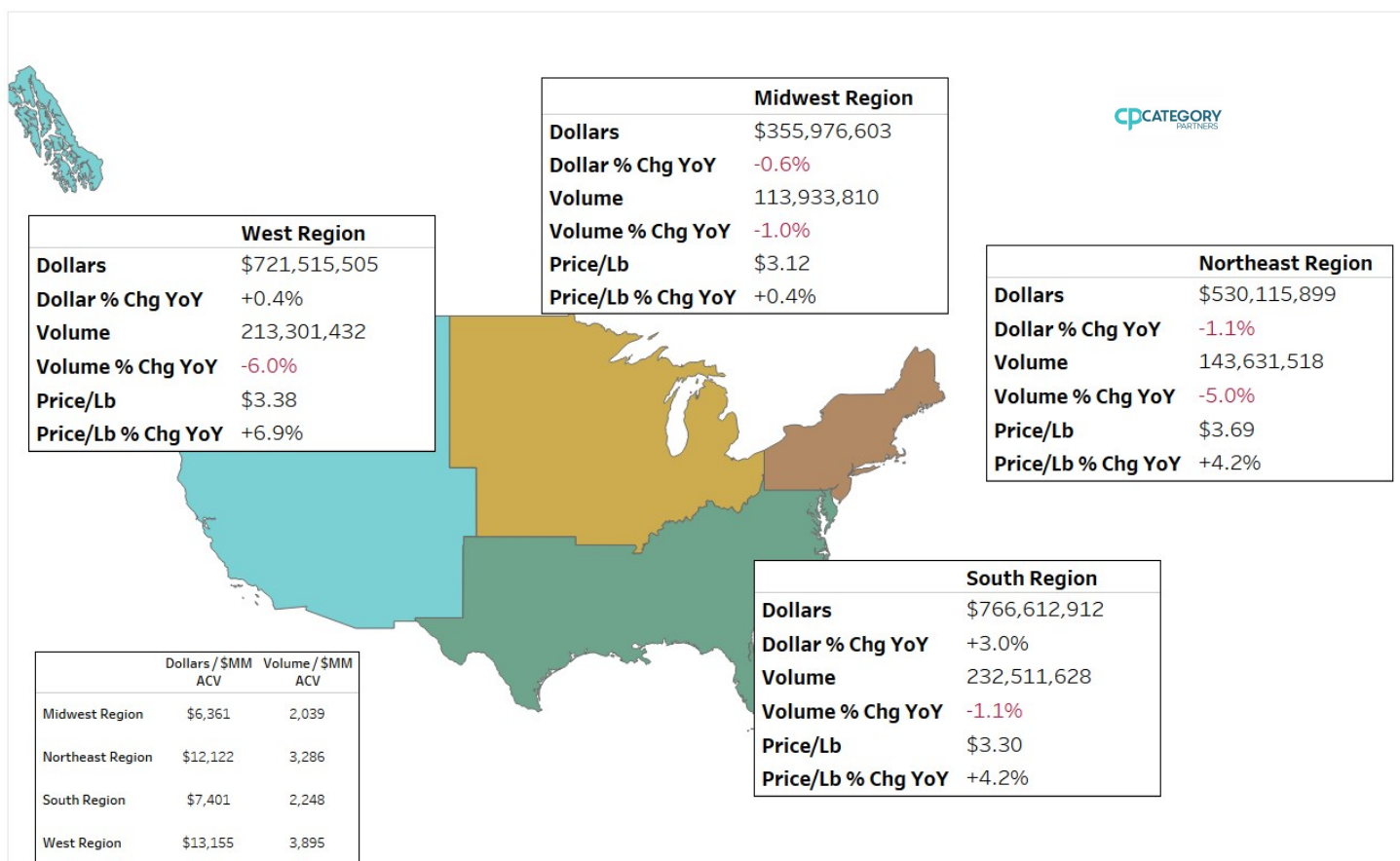
Four Year Performance



Regional Performance

Organic performance during 2023 Q1 consistently included volume decline. The West region and the South region saw increases in dollars while volume fell. The West Region has the highest price/Lb increase.

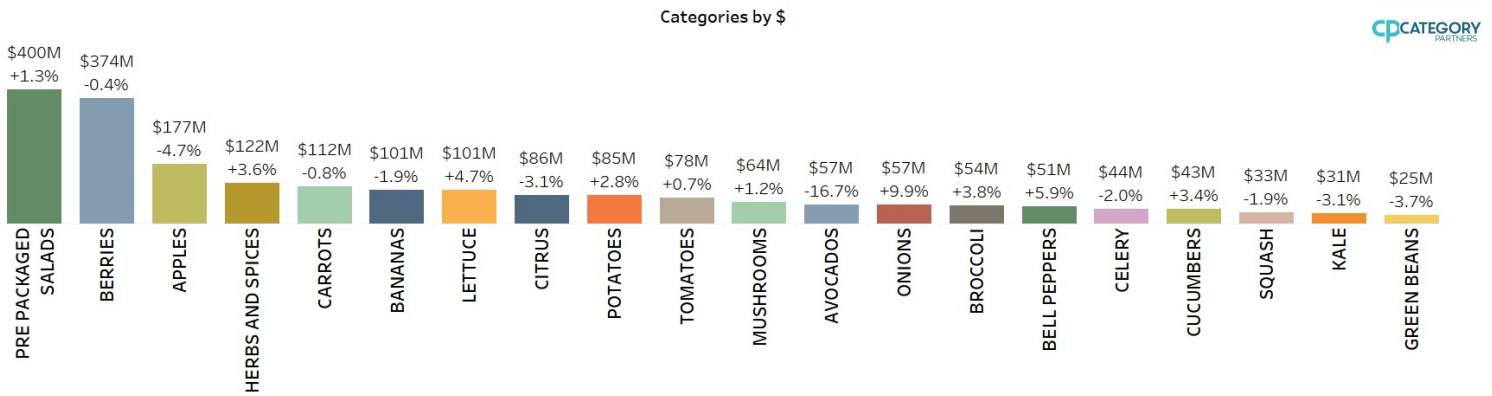
The South Region continues to show the most improvement year over year, which is consistent with previous reports. The South has a fairly low ACV compared to the Northeast and West, suggesting that the potential for growth in the South will continue.



Dollar Performance

For 2023 Q1, 10 of the top 20 categories posted increases in dollars. Organic onions generated the largest percent increase in dollars gaining 9.9%, followed by bell peppers, lettuce, and herbs.

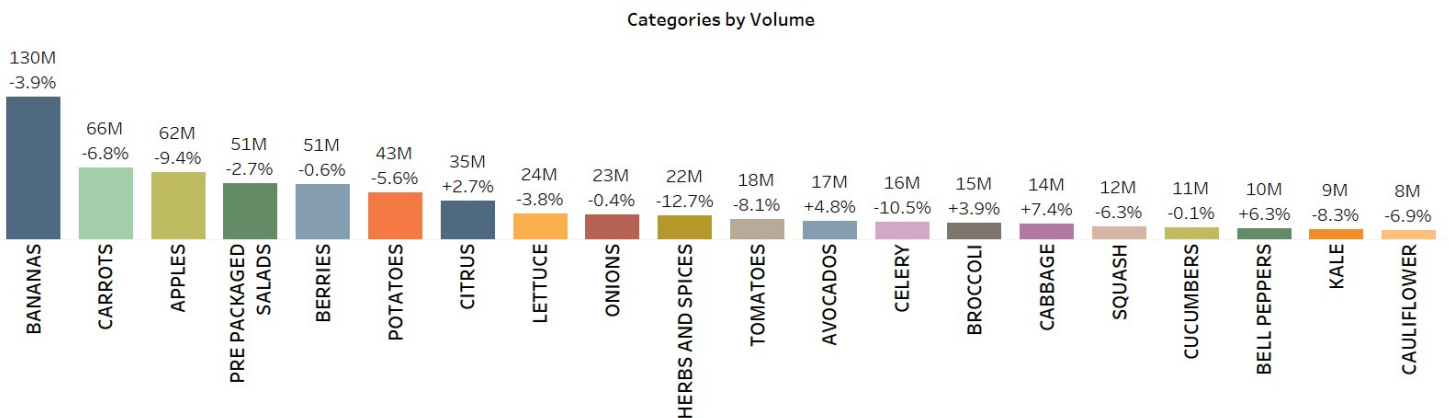
Inversely, avocados posted the largest decline in dollars, while apples also posted noticeable declines. Pre Packaged Salads are the top organic produce category, holding more than 18% of organic segment dollars.



Volume Performance

For 2023 Q1, 15 of the top 20 categories posted declines in volume with only 7 of those categories displaying positive dollar growth. Some notable exceptions are citrus, avocados, broccoli, cabbage, and bell peppers.

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



Price Over the Years

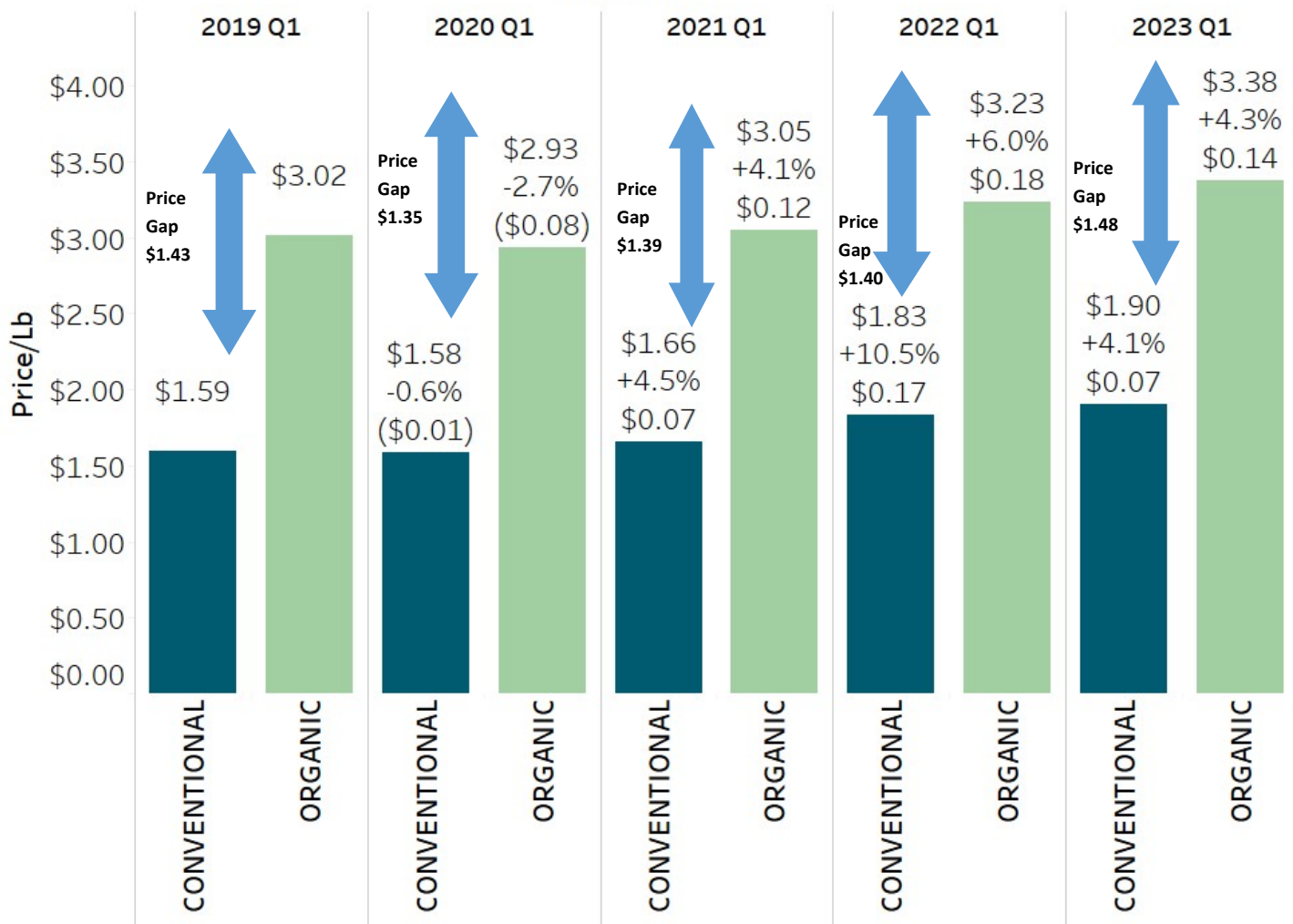
Organic prices in aggregate are still substantially higher than conventional. However, over the past two years, the average price of both conventional and organic produce has increased.

In 2023 Q1 the average price of organic produce rose 4.3% compared to a 4.1% increase in conventional pricing. Increases in pricing may continue to impact total produce volume in the future.

In 2023 Q1, 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 behavior among various consumer segments and their choice to purchase organic.



Organic vs Conventional Price 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 Jashon Newlun 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, 2023 Q1. 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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