Agriculture and Agri-Food Canada
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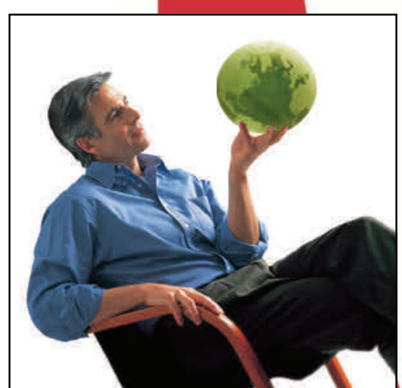
Canada

MARKET INDICATOR REPORT | NOVEMBER 2013

Consumer Trends

Organic Packaged Food in the United States



Growing Forward 2

Canada

EXECUTIVE SUMMARY

While the United States (U.S.) economy has continued to face some challenges, Mintel (2012) indicates that the natural and organic market grew slightly in value from 2010 to 2011. As the economy rebalances, spending on food products and prices have subsequently increased. With spending and consumer confidence both on the rise, there may be further opportunities for the growth of organic food products that meet diverse consumer demands.

The emerging U.S. organic packaged food market totalled just over US$11.3 billion in 2012, according to Euromonitor (2013), representing a 1.9% increase from the previous year. Organic dairy is the largest category within organic packaged food, accounting for 23% of the market, followed by organic bakery products and organic ready meals.

Consumers are beginning to place more value on foods that offer them benefits outside of just taste, with increasing demand for healthy, natural and safe food products. These healthier food alternatives are popping up all over (e.g. fortified, gluten-free), yet none have made the same impact as organic products.

Health awareness and concerns for food safety are also increasingly leading parents to purchase organic products for their children, with organic baby food experiencing particularly strong sales growth. With the exception of organic dairy, sales of organic packaged food increased in every category from 2007 to 2012. The fastest-growing categories were organic dessert mixes, spreads, and ice cream.

Distribution channels are also evolving, and Mintel (2012) predicts that market growth in natural and organic food and beverages will lead retailers to increasingly consider featuring these products. Supermarkets and hypermarkets dominate as distribution channels for organic packaged food in the U.S., with a 72% share of market sales. The two retailers contributing the most to these sales are Wal-Mart and Whole Foods Market (Euromonitor, 2013).

In the near-term, Euromonitor predicts that the U.S. organic packaged food market will continue to grow, at a faster rate, as the consumer market and economy rebound. A compound annual growth rate (CAGR) of 5.8% is predicted from 2012 to 2017, with the fastest-growing categories expected to be: sweet products, such as organic cakes, chocolate confectionery and flavoured milk drinks, as well as organic prepared baby food.

INSIDE THIS ISSUE

ORGANIC DAIRY PRODUCTS WERE THE MOST SOUGHT AFTER IN 2012, WITH SALES OF US$2.5 BLLION.

(EUROMONITOR, 2013)

MARKET TRENDS

- Traditionally, Americans have tended to pursue foods that offer them immediate benefits such as taste and convenience. Yet, as obesity has grown as a problem in the country, a health-oriented trend has emerged, giving rise to increased demand for healthy, natural, and safe food products.
- Despite economic challenges, Mintel (2011) includes natural and organic food and beverages as a bright market in the U.S., and predicts good performance with annual growth of almost 12% in 2012 and 2013, with natural products leading performance.
- According to Euromonitor International, the American organic packaged food market was worth just over US$4 billion in 2002 before it caught fire. It grew by nearly a billion dollars a year until 2004, when sales began an even sharper incline, increasing by more than US$1 billion a year in every subsequent year before the beginning of the global recession in late 2007.
- Due to rising health awareness and food safety concerns, more and more parents are taking it upon themselves to provide organic foods to their children. Parents in the U.S. are extremely concerned for the health of their children, and this is reflected in their spending. Many are starting earlier rather than later too, as sales of organic baby food have skyrocketed in the past couple of years.
- Organic foods derive a lot of their value through consumer trust and the perception that they are healthy. In contrast to the way value is added to packaged foods. However, typical packaged food producers use their food's packaging to entice consumers into buying their products. When this tactic is used on organic packaged foods, however, it can cause confusion and often lead to consumers losing trust in the organic benefits of the product.
- Based on the latest distribution statistics from Euromonitor, supermarkets and hypermarkets are the top suppliers of organic food, accounting for 72% of sales in 2012. These sales were largely from the U.S.'s top two organic suppliers: Wal-Mart and Whole Foods Market. Market value growth in natural and organic food and beverages are also expected to drive retailers to increasingly feature these products on shelves and in marketing, according to Mintel (2012).

RETAIL SALES BY PRODUCT CATEGORY

- The U.S. organic packaged food market totalled US$11.3 billion in 2012, a 1.9% increase from the previous year. Over the 2007-2012 period, sales have increased in every sector of packaged organic food, with the exception of organic dairy, which declined at a CAGR of 0.3%.
- Despite this decrease, organic dairy remained the most prominent category in 2012, with sales of US$2.5 billion. Following it up with sales of US$2 billion were organic bakery products, and in third spot, organic ready meals had sales of US$1.8 billion. The sectors with the fastest growth between 2007 and 2012 were organic dessert mixes, organic spreads, and organic ice cream.
- From 2012 to 2017, organic packaged food is projected to increase at a CAGR of 5.8%, reaching just under US$15 billion in 2017. During this time, organic confectionery, organic dessert mixes, and organic, chilled, processed meats are in line to be the fastest-growing sectors.

RETAIL SALES BY PRODUCT CATEGORY (continued)

U.S. Organic Packaged Food, Retail Sales by Key Product Categories (Historic/Forecast) in US$ Millions

Category	2007	2012	2013	2017	2007-12 CAGR*	2012-17 CAGR*
Organic packaged food	9,558.5	11,302.9	11,954.1	14,985.3	3.4%	5.8%
Organic dairy	2,581.9	2,547.1	2,704.1	3,450.3	-0.3%	6.3%
Organic bakery products	1,704.6	2,039.2	2,139.0	2,639.2	3.6%	5.3%
Organic ready meals	1,517.3	1,782.8	1,857.7	2,215.3	3.3%	4.4%
Organic sweet and savoury snacks	619.3	794.3	841.6	1,066.2	5.1%	6.1%
Organic baby food	369.4	553.9	595.0	783.9	8.4%	7.2%
Organic sauces, dressings and condiments	400.8	544.4	589.0	804.8	6.3%	8.1%
Organic soup	373.4	462.9	479.5	561.7	4.4%	3.9%
Organic canned/preserved food excluding ready meals, soup and pasta	347.2	425.5	452.2	549.5	4.2%	5.2%
Organic oils and fats	214.1	316.1	330.5	415.3	8.1%	5.6%
Organic confectionery	139.2	199.1	216.3	324.8	7.4%	10.3%
Organic pasta	149.0	191.1	206.8	262.1	5.1%	6.5%
Organic spreads	104.7	165.3	175.7	215.9	9.6%	5.5%
Organic snack bars	134.7	156.1	165.0	203.1	3.0%	5.4%
Organic chilled processed meats, fish/seafood and lunch kits	102.4	141.9	158.9	213.6	6.7%	8.5%
Organic rice	38.6	51.4	54.4	63.0	5.9%	4.2%
Organic noodles	33.3	48.9	54.2	71.0	8.0%	7.7%
Organic ice cream	29.6	45.8	49.0	62.2	9.1%	6.3%
Organic dessert mixes	12.5	22.1	24.6	34.4	12.1%	9.3%

Source: *Euromonitor International, 2013*
**CAGR: compound annual growth rate*

KEY MARKET SEGMENTS: 2011-2012

Organic Dairy

- The U.S. organic dairy sector is the largest in the organic packaged food market. In 2012, sales in this category climbed to US$2.5 billion, representing nearly a quarter of all packaged organic food sales in the U.S. Organic dairy sales are expected to increase throughout the forecast period (2012-2017) at a CAGR of 6.3%.

Main Sectors

- Milk has always been the top performer in the dairy sector and organically there is no difference. Organic milk accounted for 74% of all organic dairy sales in 2012, yet its sales still declined 2.9% from the previous year, totalling US$1.9 billion.
- Not even a fifth of the size of the organic milk market, organic cheese is the second-biggest seller when it comes to American organic dairy. It was one of the only dairy sectors to grow between 2011 and 2012, as sales climbed a meager 0.6% to reach US$330.2 million.
- Of all the organic dairy sub-categories, soy milk took the biggest hit in 2011-2012. Though it is the third-largest category among organic dairy products, sales of organic soy milk fell 6.3% to US$127.9 million.

Main Companies and Brands

- The current leader in the organic dairy market is Dean Foods Co., boasting a 17.7% market share in 2012. Organic Valley Family of Farms is the other company worth mentioning, with an 8% market share, and just over a third of the industry's sales are from private label brands.
- Horizon Organic, a subsidiary of Dean Foods Co., was the top-selling brand in 2012, followed by Organic Valley Family of Farms' brand: Organic Valley.

Forecast for 2012-2017

- Although organic dairy sales declined in 2011, they are expected to rise once again through 2012-2017, as the demand for organic milk and cheese increases. Organic milk is expected to grow at a CAGR of 6.6%, while cheese grows at a 6.9% CAGR, helping increase total organic dairy sales to US$3.5 billion by 2017.

U.S. Organic Dairy, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic dairy	2,601.8	2,547.1	3,450.3	-2.1%	6.3%
Organic milk	1,936.2	1,880.7	2,591.7	-2.9%	6.6%
Organic cheese	328.2	330.2	461.1	0.6%	6.9%
Organic soy milk	136.5	127.9	123.9	-6.3%	-0.6%
Organic fromage frais and quark	76.6	78.6	98.2	2.5%	4.6%
Organic cream	58.6	62.4	88.5	6.5%	7.2%
Organic chilled and shelf stable desserts	34.9	36.0	42.5	3.0%	3.4%
Organic flavoured milk drinks	25.2	25.7	37.8	1.9%	8.1%
Organic condensed/evaporated milk	5.3	5.5	6.4	2.6%	3.3%
Organic powdered milk	0.2	0.2	0.2	5.4%	3.0%

Source: *Euromonitor International, 2013*
**CAGR: compound annual growth rate*

Organic Bakery Products

- Bakery products is one of the most successful organic food categories in America. Between 2011 and 2012, sales of these products increased 1.9% to reach a value of US$2 billion. The U.S. organic bakery market is expected to increase steadily, at a CAGR of 5.3% between 2012 and 2017, ultimately reaching US$2.6 billion in 2017.

Main Sectors

- Bread remains the dominant sub-category in this organic sector, representing just under half of all organic bakery sales in 2012. The U.S. market for these products has increased 4.8% since 2011, bringing sales to US$999.6 million.

- Although they account for almost as many sales as organic bread products, organic breakfast cereals were the only bakery products with declining sales in the past year. Between 2011 and 2012, cereal sales dropped 1.5% to US$738.2 million.

- Biscuits were the third-most purchased product in the organic bakery sector in the U.S. Not quite as prominent as the top two sub-categories, sales of organic biscuits reached US$289.1 million in 2012.

Main Companies and Brands

- Nature's Path Foods Inc. is currently the top company in the U.S. organic bakery sector, with a market share of 20.7%. Nature's Path Foods secured its share by becoming the top selling company of organic biscuits and breakfast cereals, while Artisanal products are America's top among organic bread.

- When comparing competition by brand, there is ultimately not that much difference. Nature's Path Foods' largest brand, Nature Path, occupies almost their full market share.

Forecast for 2012-2017

- Organic bread is forecast to have an increase in demand throughout 2012 to 2017, with sales growing at a CAGR of 7.2% to reach US$1.4 billion. Organic breakfast cereals and biscuits will see much smaller sales increases and the sub-category making the biggest jump is organic cakes, which are projected to grow at a CAGR of 15.3% between 2012 and 2017.

U.S. Organic Bakery Products, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic bakery products	2,000.9	2,039.2	2,639.2	1.9%	5.3%
Organic bread	953.8	999.6	1,415.5	4.8%	7.2%
Organic breakfast cereals	749.5	738.2	877.8	-1.5%	3.5%
Organic biscuits	287.1	289.1	320.8	0.7%	2.1%
Organic cakes	10.5	12.3	25.1	17%	15.3%

Source: *Euromonitor International, 2013*
***CAGR:** compound annual growth rate*

KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Ready Meals

- Ready meals have always been a market titan in the U.S. packaged food sector and, thus, it was only a matter of time before they would become popular in organic form. Organic ready meals have been increasing steadily, becoming the third-largest organic packaged food category in the U.S., with sales of almost US$1.8 billion in 2012.

Main Sectors

- Ready meals became an instant sensation in the packaged food market due to their convenience and portionability. Modern American consumers require meals that can be prepared in a matter of minutes, all the while providing essential nutrients.

- Organic ready meals were one of the first verified natural products that could substitute a full meal. They are typically much healthier than traditional ready meals although they are still, for the most part, microwavable or in convenient, portion-sized packaging.

- In terms of varieties, organic chilled and frozen pizzas have sustained constant growth since 2007 and will continue to grow in the near future. As well, baked versions of macaroni, chicken, pasta, and lasagna, among others, are becoming the new go-to health choices in the U.S. Finally, prepared salads will continue to be one of the most dominant organic sectors, as many consumers perceive them to deliver more health benefits than they actually provide.

Main Companies and Brands

- Amy's Kitchen Inc. and Earthbound Farm were the two organic, ready-meal leaders, with respective market shares of 15% and 11.5% in 2012. Private label brands currently represent 10.9% of the industry and no other company controls more than a 2% share.

- Both Amy's Kitchen and Earthbound Farm have company name brands in this product category that represent their entire market share. Mars Inc. has the third-biggest brand, Seeds of Change, which controlled a 1.8% share of organic, ready-meal sales in 2012.

Forecast for 2012-2017

- For the foreseeable future, organic ready meals are poised to maintain third place as a sales category in the packaged organic food market. Throughout the 2012-2017 forecast period, sales of organic ready meals are set to increase at a CAGR of 4.4%, much faster than their current growth. In 2017, they are projected to have sales of US$2.2 billion in the U.S.

U.S. Organic Ready Meals, Retail Sales (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic ready meals	1,761.7	1,782.8	2,215.3	1.2%	4.4%

Source: *Euromonitor International, 2013*
CAGR: compound annual growth rate

▶ KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Sweet and Savoury Snacks

- Sweet and savoury snacks are becoming increasingly popular and sought after in the organic variety. Due to the abundance of sweet-toothed, yet health-conscious Americans, sales have increased 2.8% between 2011 and 2012, reaching US$794.3 million. This category will flourish even more throughout the forecast period (2012-2017), as it is projected to increase at a CAGR of 6.1%.

Main Sectors

- The number one selling sub-category in this sector is broadly labelled as 'organic sweet and savoury snacks excluding nuts and fruit snacks' by Euromonitor International. Included in this sub-category are organic snack items like chips, pretzels, popcorn, etc., that are fruit- and nut-free. In 2012, sales of these foods accounted for 86% of the total organic sweet and savoury snack sales in the U.S. (US$682.4 million).

- Organic nuts placed second in this category, with sales of US$90.4 million in 2012. This sub-category experienced the greatest growth between 2011 and 2012, with sales rising 7.2%

- Lastly, organic packaged fruit snacks sold a meagre US$21.5 million in 2012. This sub-category is expanding at a decent pace (sales grew 5% since 2011) yet it remains too small to make a significant difference in total organic sweet and savoury snack sales.

Main Companies and Brands

- Market share is quite evenly spread among companies engaged in this category. No single company controls over 5% of the organic sweet and savoury snacks market, with PepsiCo currently in the lead at 4.7% in 2012. PepsiCo is closely followed by The Hain Celestial Group Inc., which had a 4.1% share in 2012, then Newman's Own Inc. and Snyder's of Hanover Inc., which each represented 2.4%.

- PepsiCo's Tostitos brand was the top seller in 2012. Its perceived health benefits compared to regular potato chips and brand recognition give it an advantage over other organic brands in this market.

Forecast for 2012-2017

- With a love of convenience and a fondness for salty/sugary foods, Americans have always been snack fiends, yet as of late they have become much more health-oriented. Organic sweet and savoury snacks have been bringing in increased sales for some time now. Between 2012 and 2017, they are expected to increase further, led by organic sweet and savoury snacks excluding nuts and fruit snacks, with a projected CAGR of 6.1%, followed by nuts at 6% CAGR, and then fruit snacks at 4.7%.

U.S. Organic Sweet and Savoury Snacks, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic sweet and savoury snacks	772.7	794.3	1,066.2	2.8%	6.1%
Organic sweet and savoury snacks excluding nuts and fruit snacks	667.8	682.4	918.1	2.2%	6.1%
Organic nuts	84.3	90.4	121.0	7.2%	6.0%
Organic fruit snacks	20.5	21.5	27.1	4.9%	4.7%

Source: *Euromonitor International, 2013*
**CAGR: compound annual growth rate*

Organic Baby Food

- The U.S. organic baby food market has been steadily maturing over the past couple of years, growing 7.6% between 2011 and 2012 to reach US$553.9 million. Sales of these products are poised to increase even faster in the upcoming years, with a projected CAGR of 7.2% throughout the 2012-2017 forecast period.

Main Sectors

- For some time now, prepared baby food has dominated sales in this category. In 2012, it had sales of US$415.5 million, almost exactly three-quarters of the total organic baby food sold.

- Milk formula is becoming increasingly popular among new mothers and added value in terms of organic ingredients is further appealing to the health-conscious consumer. These are partial reasons behind organic milk formulas' sales increase of 5.8% in 2011, making it the second-best seller among organic baby food products in the U.S.

- The third-place sub-category among organic baby food products in 2012 was organic other baby food, with sales of US$52.3 million. The second-smallest sector in baby food, other organic baby food had the fastest growth (10.2%) through 2011-2012.

Main Companies and Brands

- The Hain Celestial Group Inc. leads sales in U.S. organic baby food, with a 48.2% market share in 2012. Danone Group follows with market share of 11.9%, followed by Nestlé SA with 11.7%.

- Hain Celestial's top brand, Earth's Best, was the number-one seller in every category of baby food in 2012. Danone's top brand, Stonyfield Farm, was the number-two seller of prepared baby foods, while Nestlé's brand, Gerber, was second-place in sales of other and dried organic baby foods.

Forecast for 2012-2017

- From 2012 to 2017, all sectors of organic baby food are expected to see increased sales. Leading these increases will be organic prepared baby food, which is expected to rise at a CAGR of 7.6%. Furthermore, other organic baby food will increase at a CAGR of 6.9%, followed by organic milk formula (6.1%) and dried baby food (2.0%).

U.S. Organic Baby Food Products, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic baby food	514.6	553.9	783.9	7.6%	7.2%
Organic prepared baby food	384.7	415.5	599.3	8.0%	7.6%
Organic milk formula	64.6	68.4	92.1	5.8%	6.1%
Organic other baby food	47.5	52.3	72.8	10.2%	6.9%
Organic dried baby food	17.9	17.7	19.6	-0.7%	2.0%

Source: *Euromonitor International, 2013*
***CAGR:** compound annual growth rate*

KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Sauces, Dressings and Condiments

- The market for organic sauces, dressings, and condiments has shown stable growth since the emergence of the organic trend. Sales in this sub-category climbed 4.8% throughout 2011-2012 and ultimately reached US$544.4 million in 2012.

Main Companies and Brands

- The organic chapter of the sauces, dressings, and condiments sector is largely controlled by two companies, which combined held 55.3% of the market in 2012. These two corporations - Newman's Own Inc. and General Mills Inc. - have topped the market for years, making it difficult for other companies to expand into the organic sauce business.

- Newman's Own Inc. has a self-named brand that controls its leading market share of 37.9% in 2012. In second place was General Mill's brand, Muir Glen, which had a 17.4% market share of the sector. Private label has grown slowly over the years, accumulating 5.4% of sales in 2012.

Forecast for 2012-2017

- Organic sauces, dressings, and condiments is expected to be one of the top-performing sectors between 2012 and 2017. During this time, sales are expected to increase at a CAGR of 8.1% to reach US$804.8 million in 2017.

U.S. Organic Sauces, Dressings, and Condiments, Retail Sales (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic sauces, dressings and condiments	519.5	544.4	804.8	4.8%	8.1%

Source: *Euromonitor International, 2013*
***CAGR:** compound annual growth rate*

Organic Soup

- The organic soup market has maintained its place as one of the top 10 organic packaged foods, despite its slow growth as of late. Between 2011 and 2012, sales rose a mere 0.5% to reach US$462.9 million.

Main Companies and Brands

- The competition in America's organic soup market is fairly evenly dispersed, with The Hain Celestial Group Inc. being the only company to own more than a 10% share. Hain Celestial accounted for 11.5% of sales in 2012, followed by Amy's Kitchen Inc., with 3.1% and Fairfield Farm Kitchens Inc., with 1.6%.

- Hain Celestial's market share is split between two brands: Health Valley and Imagine. These brands account for 6.5% and 5% of organic soup sales respectively. Amy's kitchen's self-named brand had the third-highest market share of 2012, with 3.1%.

KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Soup (continued)

Forecast for 2012-2017

- Despite its moderate 2011-2012 growth, organic soup sales will come to life between 2012 and 2017, as they are projected to increase at a CAGR of 3.9%. Over the course of the forecast period, sales are expected to climb to US$561.7 million.

U.S. Organic Soup, Retail Sales (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic soup	460.4	462.9	561.7	0.5%	3.9%

Source: *Euromonitor International, 2013*
****CAGR:** compound annual growth rate*

Organic Canned/Preserved Food, Excluding Ready Meals, Soup, and Pasta

- Organic canned/preserved food has always been a steady category, This was reinforced in 2011-2012, with solid growth of 4.4%. By excluding ready meals, soups, and pasta, this category becomes fairly specific, yet it still accounted for US$425.5 million in value sales for 2012.

Forecast for 2012-2017

- During the forecast period of 2012-2017, growth in this category is expected to increase to a CAGR of 5.2%. This will bring the category's sales for 2017 to a projected US$549.5 million.

U.S. Organic Canned/Preserved Food, Excluding Ready Meals, Soup, and Pasta, Retail Sales (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic canned/preserved food, excluding ready meals, soup, and pasta	407.4	425.5	549.5	4.4%	5.2%

Source: *Euromonitor International, 2013*
****CAGR:** compound annual growth rate*

KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Oils and Fats

- Organic oils and fats have recently become popular on the American market due to increasing consumer interest in the origin of their food. Sales of this commodity rose 6.5% last year to reach US$316.1 million in 2012. They aren't showing any signs of slowing down either, projected to grow at a CAGR of 5.6% between 2012 and 2017.

Main Sectors

- Organic olive oil is emerging as the lead sales sector, as customers seek out healthier oils. Sales in this sub-category only grew 4.7% in 2011-2012, yet they represent a significant majority of the overall category, with sales of US$142.0 million.

- Second to olive sales, organic vegetable and seed oil experienced rapid growth of 11.4% between 2011 and 2012. In 2012, sales of organic vegetable and seed oil totalled US$101.4 million.

- Organic butter is slowly gaining popularity as a natural, healthy product among U.S. consumers. Sales rose 3.5% in 2011-2012, reaching US$72.7 million.

Main Companies and Brands

- Organic Valley Family of Farms is currently the sales leader in organic fats and oils in the U.S., with a 13.3% market share in 2012. They are followed by Dean Foods Co., who accounted for 7.4% of sales, while Hain Celestial Group was third, selling 6.4%.

- Organic Valley Family of Farms' primary brand, Organic Valley, led all brands in 2012, selling 57.9% of organic butter in 2012 and 13.3% of all organic oils and fats. Horizon Organic, a Dean Foods Co. brand, is the next biggest, controlling all of Dean's 7.4% market share. Thirdly, there is the Hain Celestial brand called Spectrum Naturals, which had the most sales of organic olive oils and vegetable and seed oils in 2012, yet only accounted for 6.4% of the organic oils and fats market as a whole.

Forecast for 2012-2017

- Despite its slow growth over the past couple of years, organic butter is set to break out during the forecast period (2012-2017), growing at a CAGR of 7.2%. Organic olive oil will see the next-fastest growth, at a CAGR of 5.2%, followed by organic vegetable and seed oil which will grow at a 4.9% CAGR. Overall, the organic fats and oils market will see a sales increase of nearly US$100 million over the next five years, as they are projected to reach US$415.3 million by 2017.

U.S. Organic Oils and Fats, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic oils and fats	296.9	316.1	415.3	6.5%	5.6%
Organic olive oil	135.6	142.0	183.2	4.7%	5.2%
Organic vegetable and seed oil	91.0	101.4	129.1	11.4%	4.9%
Organic butter	70.3	72.7	103.1	3.5%	7.2%

Source: *Euromonitor International, 2013*
CAGR: compound annual growth rate

KEY MARKET SEGMENTS: 2011-2012 (continued)

Organic Confectionery

- Organic confectionery is an emerging market in the organic sector and has experienced recent significant growth of 6.1% in 2011-2012. Coupled with its projected growth at a CAGR of 10.3% through 2012 to 2017, organic confectionery is expected to have sales of US$324.8 million in 2017.

Main Sectors

- The primary seller in the organic confectionery market is organic chocolate which, in 2012, was five times as profitable as the only other sub-category, organic sugar confectionery. Organic chocolate confectionery experienced growth of 5.7% between 2011 and 2012, bringing sales value to US$167.6 million.

- Organic sugar confectionery may be a small sector in the big organic picture, yet it did have solid growth of 8.3% this past year (2011-2012), bringing total sales to US$31.5 million.

- Both organic chocolate and organic sugar products stand to gain popularity and sales as the health trend becomes increasingly important in the U.S. Consumers will soon look for ways to refine their meal standards, and cutting regular chocolate and candy in favour of the organic versions is an easy switch to make.

Main Companies and Brands

- Mondelez International Inc. appeared from nowhere to top the organic confectionery sales rankings with a 34.8% market share in 2012. This corporation was created in 2012 when Kraft Foods Inc. divided itself into two companies: Kraft Foods Group Inc., a North American grocery business, and Mondelez International Inc., a global snack business. Thus Mondelez inherited Kraft's premier organic chocolate brand, Green & Blacks, which was previously owned by Cadbury. Placing second in organic confectionery sales for 2012 was The Hershey Co., with a 25.4% share and in third was Nature's SunGrown Foods Inc., with 8.4%

- Green & Blacks has dominated the market for some time now, boosting its market share of organic chocolate to 41.3% in 2012 and, subsequently, its total organic confectionery share to 34.8%. Placing second in organic confectionery is Hershey's brand, Dagoba Organic Chocolate, which has a 25.4% market share, accumulated mainly from organic chocolate sales.

Forecast for 2012-2017

- Sales of organic confectionery will continue to flourish, as U.S. consumers continue to look for healthier ways to consume their favourite foods. From 2012 to 2017, the growth rates for sales of organic chocolate confectionery and organic sugar confectionery will rise to CAGRs of 10.9% and 6.8%, respectively. This would leave organic chocolate confectionery with sales of US$280.9 million and organic sugar confectionery with sales of US$43.8 million in 2017.

U.S. Organic Confectionery, Retail Sales by Sub-Category (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic confectionery	187.7	199.1	324.8	6.1%	10.3%
Organic chocolate confectionery	158.6	167.6	280.9	5.7%	10.9%
Organic sugar confectionery	29.1	31.5	43.8	8.3%	6.8%

Source: *Euromonitor International, 2013*
****CAGR:*** *compound annual growth rate*

KEY MARKET SEGMENTS: 2011-2012 (continued)

Fast-Growing Sectors

- During 2011-2012, many different packaged organic food sub-categories experienced exceptional sales growth. Products for smaller children and babies were among the fastest-growing last year and will continue to increase throughout the forecast period of 2012-2017. Sweet foods like organic cakes, organic chocolate, and organic milk drinks are poised to be the fastest-growing over the course of this forecast. American consumers are likely to select these sweets as they offer a healthy way for people to eat their favourite candies, desserts, and chocolates. The following chart lists the fast-growing organic packaged food sub-categories, based on projected sales growth between 2012 and 2017.

U.S. Fast-Growing Organic Packaged Food Sectors, Retail Sales (Historic/Forecast) in US$ Millions

Sub-Category	2011	2012	2017	2011-12 Growth	2012-17 CAGR*
Organic cakes	10.5	12.3	25.1	17%	15.3%
Organic chocolate confectionery	158.6	167.6	280.9	5.7%	10.9%
Organic flavoured milk drinks	25.2	25.7	37.8	1.9%	8.1%
Organic prepared baby food	384.7	415.5	599.3	8.0%	7.6%
Organic bread	953.8	999.6	1,415.5	4.8%	7.2%
Organic butter	70.3	72.7	103.1	3.5%	7.2%
Organic cream	58.6	62.4	88.5	6.5%	7.2%
Organic cheese	328.2	330.2	461.1	0.6%	6.9%
Organic other baby food	47.5	52.3	72.8	10.2%	6.9%
Organic sugar confectionery	29.1	31.5	43.8	8.3%	6.8%

Source: *Euromonitor International, 2013*
CAGR: compound annual growth rate

NEW PRODUCT DEVELOPMENT

The following includes an analysis of packaged food products launched in the U.S. from January 2010 to 2012 that were in a product range with an organic claim, based on product introductions tracked by Mintel (2013). A total of 3,125 products were launched in the U.S. which meet this description.

New products represent more than half (52%) of these launches, while new variety/ range extensions account for nearly 30%, and products with new packaging 15%. These ratios for the different types of product development occurring, have stayed relatively the same from 2010 to 2012. The number product launches each year has also stayed relatively stable, with a slight peak in 2010, when significantly more activity occurred with new varieties and range extensions.

U.S. Organic Packaged Food Launches from 2010-2012 by % of Total Launches

Launch Type	2010	2011	2012	Total
New formulation	0.6	0.4	0.3	1.3
New packaging	5.0	5.4	4.8	15.2
New product	18.2	17.7	16.1	52.0
New variety/range extension	12.6	8.3	8.5	29.4
Re-launch	0.2	0.3	1.5	2.0
Total	36.6	32.1	31.2	100.0

Source: *Mintel, 2013*

NEW PRODUCT DEVELOPMENT (continued)

Packaged food launches from 2010 to 2012 in the U.S., with an organic claim, covered a wide range of categories. Snacks was the category that had the most organic packaged food launches (15.7% of launches), followed by sauce and seasoning products (12.3%), and bakery (10.3%) and dairy (9.6%) products.

The sub-categories with the most organic packaged food launches were: snack/cereal/energy bars, vegetables (such as corn, beans, lettuce/spinach/salad, tomatoes), cold cereals (particularly granola), chocolate tablets/bars, and pasta.

U.S. Organic Packaged Food Product Launches by Top Sub-Categories, % of Total Launches

Top Sub-Categories	2010	2011	2012	Total
Snack/cereal/energy bars	2.1	2.0	1.7	5.8
Vegetables	2.3	0.8	1.5	4.6
Cold cereals	1.5	1.2	1.2	3.9
Chocolate tablets	1.3	1.0	1.3	3.6
Pasta	1.3	1.1	0.8	3.2
Sweet biscuits/cookies	1.3	1.1	0.9	3.3
Fruit snacks	0.6	1.2	1.3	3.1
Oils	0.8	1.5	0.7	3.0
Baking ingredients and mixes	1.1	0.9	1.2	3.2
Corn-based snacks	0.9	0.6	0.7	2.2
Other sub-categories	23.5	20.6	19.9	64.0

Source: *Mintel, 2013*

Organic packaged food launches used a variety of claims to appeal to consumer on a number of different attributes. The most common types of claims were for specific types of consumers (such as suitable for vegetarians, or kosher), followed by ethical and environmental claims, claims for a reduction in certain ingredients (such as low/no/reduced allergen). For specific claims, health remained a key positioning attribute. Kosher claims were used quite often, on nearly half of all product launches, followed by low/no/reduced allergens, no additives/preservatives, and gluten-free claims.

U.S. Organic Packaged Food Product Launches by Top Claims, % of Total Launches

Top Claims	Total
Kosher	46.1
Low/no/reduced allergen	31.2
No additives/ preservatives	29.3
Gluten-free	27.9
Ethical - environmentally friendly package	21.2
Vegan	17.1
No animal ingredients	16.1
GMO*-free	16.0
All natural product	15.3
Other claims	73.2

Source: *Mintel, 2013*
**Genetically Modified Organism*

Flexible packaging was by far the most common type of packaging used, accounting for half of organic food launches, and was most popular in snacks, bakery, and chocolate confectionery products. Flexible stand-up pouches were most commonly used in snacks, baby food and bakery products, while flexible sachets were most common in breakfast cereals, processed fish, meat and egg products, and dairy. Cartons were the second-most common type of packaging, accounting for 10.1% of launches, and used mostly in dairy, soup, chocolate confectionery and meal products. However, the use of carton packaging appears to have declined from 2010 to 2012. Bottles (9.5% of launches), tubs (9.1%), and jars (8.7%) were other popular types of packaging used.

Similar to the market, organic packaged food launches are quite segmented among companies, with the largest company share accounting for 2.5% of launches. Private label products represented 20.2% of organic packaged food launches from 2010 to 2012 in the U.S.. Private label also appears to be more prominent in certain organic categories, such as sauces and seasonings, dairy, bakery, snacks, and fruit and vegetables. Whole Foods Market was the company with the most organic packaged food launches in the U.S. from 2010 to 2012, with brands such as 365 Everyday Value, Whole Foods Market, Confectious, and Eros. Hain Celestial Group accounted for the second-most launches, with brands: Arrowhead Mills, Earth's Best Organic, Garden of Eatin', Health Valley Organic, and Sunspire. Trader Joe's followed, with product launches under the brands Trader Joe's, Trader Giotto's, and Trader José's. Other companies leading new product development include: The Nest Collective (Plum Kids, Plum Organics and Revolution Foods brands), and Delhaize Group (Nature's Place).

NEW PRODUCT DEVELOPMENT (continued)

Provided below are examples of product development in key organic packaged food categories, highlighting positioning and product attributes being used by manufacturers in the market, to differentiate and add-value to organic products.

Cacao Goji Bite-Sized Snack
This Navitas Naturals Power Snack is said to have the power of super-fooods, with vitamin C, antioxidants, and omega fatty acids, and is free-from artificial colours and flavours, gluten, dairy and GMO*. It is marketed as a premium, organic on-the-go product that is raw and vegan, and retailed for US$10.99 in a 227 g pack.
**Genetically modified organism*

Premium Carrot Cake
This Nature's Path Organic Love Crunch product is said to consist of raisins, pecans, yogurt, carrots and pineapple, and has a number of health-related attributes, including 15 g of whole grains per 30 g serving. It is also free-from synthetic preservatives and additives, and retails for US$4.99 in a 326 g pack, with a sales portion supporting food banks.

Organic Whole Green Beans
This Lisa's Organics product is said to consist of grade A green beans that are grown in rich northern soil, and retails for US$5.99 in a 2.27 kg recyclable pack that has a re-sealable tab. The product also contains information on the assurance of the USDA certified organic seal.

Dark Blackout Organic Chocolate Tablet
This Alter Ego product is said to contain 85% bittersweet cocoa, and has a fruity intensity. This fair trade and vegan product is carbon neutral and free-from soy, gluten, GMO*, artificial flavours, and emulsifiers, and retails for US$3.99 in a 23 g pack.
**Genetically modified organism*

Organic Black Bean Spaghetti
This Explore Asia pasta product is said to be suitable for vegans and gluten-free, made in a remote district in northern China and produced in a traditional grain mill and noodle shop. The product retails for US$3.99 in a 212 g pack and comes in a number of noodle varieties.

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