



OPNTM

Organic Produce Network

May 2020 Organic Performance Topline

June 16, 2020



May Topline—The New Normal

OVERVIEW

The month of May saw a continuation of the trends established in April, with elevated sales across the entire supermarket as consumers continued at-home eating in the face of restaurant closures. Retail sales across the total store were up significantly in April and this trend rolled on in May but slightly lower levels.



In general, supermarket performance has been relatively stable across all departments since the initial pantry loading shortages in early March. For ten weeks through the end of May, sales have stabilized at higher levels. Meat and Frozen departments have continued to see among the strongest sales increases, followed by Dairy and Produce departments. Deli and Bakery departments have lagged as many in-store self service and full service operations have been curtailed, reducing shopper options.

The fresh seafood department is one area of the store generating surprisingly strong sales. Early in the pandemic, fresh seafood sales plummeted as shoppers pivoted to frozen seafood. However, as the crisis has waned, consumers have returned to fresh seafood and for the month of May this department is showing among the highest year over year dollar increases in the supermarket (35%+). However, it is also possible that fresh seafood is benefitting from sporadic shortages in meat and poultry that occurred during May in many US markets.

During May, growth rates in organic performance in produce continued to slightly out-pace conventional products in terms of percent volume gain while falling slightly below conventional in dollar gains. During the pandemic, dollar and volume gains in organic have generally outpaced conventional across the produce department as consumers showed no inclination to alter well established lifestyle buying habits. However, this trend moderated slightly during May with organic dollars gains falling slightly below conventional.

May Highlights — Organic produce growth continues as volume grows

- For the month of May, organic produce maintained strong sales momentum established in April. Likewise, conventional produce has seen a similar upward shift in volume and is generally consistent with performance gains in organics.
- Volume gains in organic produce moderated slightly from levels seen in April but remain solidly above last year. For the month of May organic produce volume was up 16.2%. While strong this is a decline from April when organic produce volume was up by 20.5%.
- Organic dollars showed strong growth during May but also slid back slightly from the stronger levels seen in April. Organic dollar increased by 16.3% in May, slightly lower than April (18.4%) .
- Average retail pricing in organics were stable in May compared to the previous year. For the total produce department, the average price per pound for organics is \$2.99lb compared to \$1.48lb in conventional.



Total U.S. Organic Performance — May, 2020

Organic produce growth rates continued at a strong pace during the month of May. Elevated consumer purchase rates

pushed sales higher across the store with produce being no exception. Volume growth rate in organic produce continued to be slightly larger than conventional generating strong year over year increases. However, for the first time in recent memory dollar increases in conventional out-paced organic growth growing by 18% compared to 16.3% in organics. Nonetheless, consumers show no indication of shifting purchases away from organic fruit and vegetables.

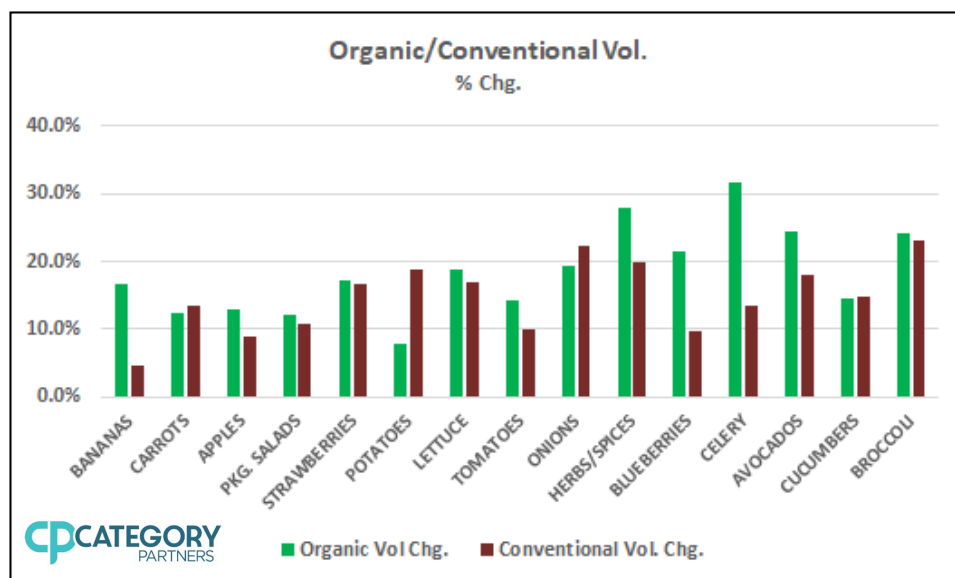
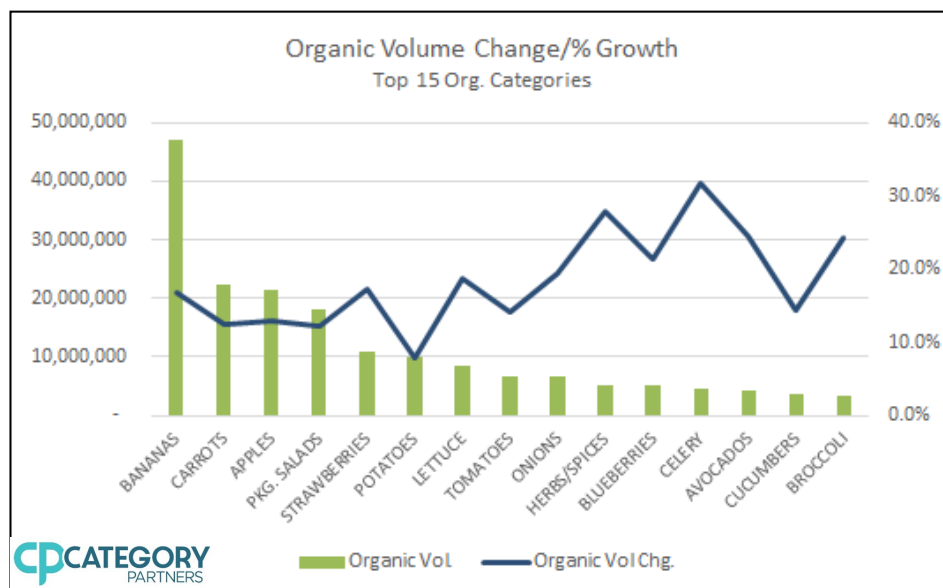
CPCATEGORY PARTNERS	Dollars	% Chg.	Volume	% Chg.
CONVENTIONAL	6,742,887,761	18.0%	4,542,693,545	15.5%
ORGANIC	662,160,236	16.3%	221,226,515	16.2%

Top 15 Organic Categories

Bananas continue to be the dominant category in organic produce. Organic banana volume is not only the largest in the produce department but is larger than the next two categories combined. Interestingly, the top three organic categories (bananas, carrots, apples) share a common trait: retail prices for organic options are priced relatively close to the conventional alternative.

As noted in earlier, both conventional and organic categories saw strong volume growth during May. Among the top 15 organic categories, celery, herbs and avocados generated the strongest percentage gains.

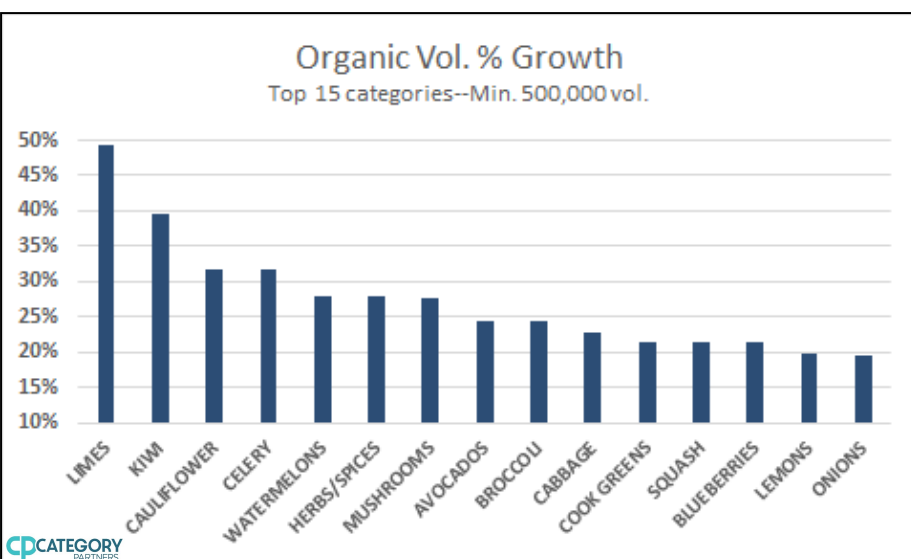
Overall, percentage gains in organics exceeded conventional in 11 of the top 15 volume categories.



Growth Categories, U.S. Organic Performance — May, 2020

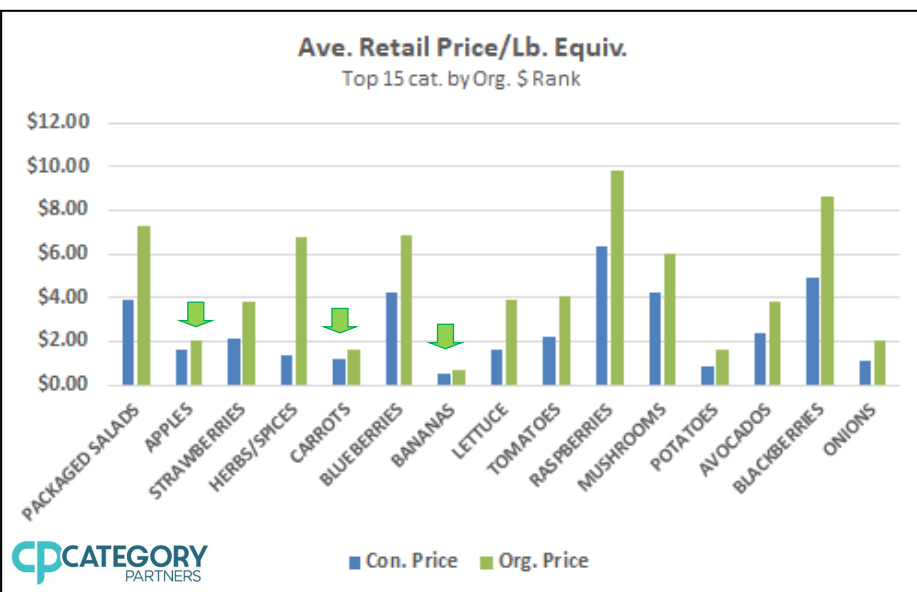
Many organic produce categories generated strong gains in volume during May. In general, a broader trend of consumer purchases of ingredient products was reflected on organic produce. Of the top 15 organic volume growth categories, nine were vegetables. Large volume increases in products like organic cauliflower, celery, herbs, mushrooms and broccoli continue to reflect a shift in consumer home-food preparation habits seen since the beginning of the pandemic in March.

Within fruit, Limes continue to show strong growth. Organic limes had the strongest growth rate in April and this trend continued in May.



The Cost of Switching

Price premiums in organic produce are often cited by consumers as being the single biggest barrier to increased purchases. Price variances between conventional and organic generally remain large, although in the leading volume categories (bananas, carrots, apples) organic pricing has become surprisingly close to the conventional option.



Pricing practices have a significant impact on retail dollar performance. For example, when looking at dollar generation, packaged salad is the #1 category in produce. However, on an equivalized volume basis organic packaged salad carries a price premium of 85% over the conventional alternative. As such, organic packaged salad drives a disproportionate share of organic dollars relative to the actual volume. Compare the price premium on packaged salads with bananas (29%), carrots (35%) and apples (30%) and we see much different price premiums for the categories which lead in volume. Production costs and the balance between organic supply and demand largely determine shelf prices paid by consumers. As conventional/organic price gaps narrow consumer purchase rates have an opportunity to drive significant performance increases.

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.

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Source: *Organic Produce Network and Category Partners, powered by Nielsen Total US xAOC, April, 2020.*

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.



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