Organic Markets and Marketing

Ronald Rainey
Associate Professor - Agricultural Economics and Agribusiness

Harrison Pittman
Director - National Agricultural Law Center

Shannon Mirus
Staff Attorney - National Agricultural Law Center

Katherine McGraw
Research Associate - Agricultural Economics and Agribusiness

Jennie Popp
Professor - Agricultural Economics and Agribusiness

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Introduction

USDA Economic Research Service reports that the organic food market is the fastest growing sector in United States agriculture.[1] With an increased focus on healthy eating, combined with the rise in popularity of farmers' markets and other direct marketing outlets, organic production presents an alternative marketing opportunity for today's producers. The rapid growth in the organic food sector provides an emerging marketing opportunity for agricultural producers and businesses interested in specialty niche markets.

This fact sheet is designed to answer questions for producers considering organic production.

What Does "Organic" Mean?

Products labeled as "organic" or containing the USDA Organic seal have been produced or processed by a grower or handler that meets all of USDA's requirements under the National Organic Program. Only producers or processors that have been certified through the National Organic Program are allowed to use the term "organic" on their labels. Program regulations, including restrictions on labeling, are in place to serve as a guarantee to consumers that products with the organic seal or label have met the specific criteria of the National Organic Program. Use of the term "organic" on a product label is for marketing purposes only. Organic refers to the manner in which a product – food or fiber – was grown and/or processed. Organic products have not been proven to be safer or healthier than crops grown conventionally, although the debate is increasing and scientific research in this area is emerging.

What Is the USDA National Organic Program?

Congress passed the *Organic Foods Production Act of 1990*[2], which required the USDA to develop regulations for organically produced agricultural products. In 2002, the National Organics Program (NOP) was created when USDA implemented its final rule. The regulations of the NOP apply to all U.S. producers who wish to sell their products as "organic" and serve as an assurance to consumers that the agricultural products marketed as "organic" meet consistent, uniform standards.

The USDA National Organics Program is a marketing program within the USDA Agricultural Marketing Service (AMS). Through the program, regulations were developed which allow producers to label their products as "USDA Certified Organic" if the producer meets all of the requirements of the program.[3] The organic program is the only one of its kind. There are no other USDA national certification processes, although there are other labels for products that distinguish their production system. These products include the labels "pesticide free," "all natural" or "chemical free." The difference with these labels is that there exists no national

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[1] United States Department of Agriculture Economic Research Service, *Briefing Room – Organic Agriculture*, http://www.ers.usda.gov/Briefing/Organic/ (last visited February 21, 2011).
[2] Organic Foods Production Act of 1990, 7 U.S.C. §6501 et seq.
[3] National Organic Program, 7 C.F.R. § 205 (2008).

standard or government-regulated certification process.

Organic Market

The NOP is for marketing purposes only; the regulations do not address food safety or nutrition. A food labeled "organic" only carries the guarantee that it was grown and processed under the specified conditions. It is not a health or nutrition statement.

Table 1 details the growth of the organic market over the last decade. From 1997 to 2009, sales of organic foods grew sixfold from $3.6 billion to almost $25 billion during the period. The Organic Trade Association estimates that 2009 organic food sales approached the $25 billion threshold and grew at 1.6 percent over the previous year's sales. The 2009 estimated growth rate is the first time the organic food sector recorded single digit expansion. This slowdown can be attributed to the economic slowdown, but the sector still outperformed total food sales, which grew at 1.6 percent.

The availability of organic products has emerged from limited sections of health and specialty food stores to noteworthy shelf space at mainstream grocery store chains. In 2003, it was reported that over 20,000 natural food stores and 73 percent of conventional grocery stores carry organic food products.[4] In 2006, 47 percent of organic foods were sold through natural food chains, 46 percent through traditional mass-market channels, which includes supermarkets and grocery stores, and 7 percent through direct and other nonretail store marketing channels (OTA, 2006). The latest 2009 report estimates that the mass market channel controls 54 percent of the market share. The mass market channel has experienced a wider distribution of organic products through the various more traditional marketing channels – grocers, club stores and retailers.

Fruit and vegetable products have historically served as the main drivers (42 percent of 2006 sales) of the organic food sales. This category continues to lead the way, commanding 38 percent ($9.5 billion) of the total organic food market. These products are becoming more accessible to consumers as supermarkets and other conventional retail channels continue to expand their organic product offerings.

The outlook for the organic market is continued solid double digit annual growth once the economy rebounds, although at levels below the historical 20 percent levels. A fair estimate, given production, certification and distribution issues, is for an annual growth rate fluctuating around 10 to 15 percent. Some reports estimate that by 2025 the size of the U.S. organic market will be between $50-$70 billion, depending on your outlook.

Table 1. Organic Food Sales and Market Penetration.

Year	Sales ($ mil)	Organic Food Growth (%)	Total Food Sales ($ mil)	Organic Percent of Total Food Sales (%)
1997	3,594	--	443,790	0.8
1998	4,286	19.3	454,140	0.9
1999	5,039	17.6	474,790	1.06
2000	6,100	21.0	498,380	1.2
2001	7,360	20.7	521,830	1.4
2002	8,635	17.3	530,612	1.6
2003	10,381	20.2	535,406	1.9
2004	12,002	15.6	544,141	2.2
2005	14,223	18.5	566,791	2.5
2006	17,221	21.1	598,136	2.9
2007	20,410	18.5	628,219	3.2
2008	23,607	15.7	659,012	3.6
2009	24,803	5.1	669,556	3.7

Source: Organic Trade Association.

For More Information

1. USDA Agricultural Marketing Service National Organic Program Web page, available at http://www.ams.usda.gov/nop.
2. National Sustainable Agriculture Information Service – ATTRA Web page, available at http://attra.ncat.org/organic.html.
3. National Agricultural Law Center's National Organic Program Reading Room. The Web link is http://www.nationalaglawcenter.org /readingrooms/organicprogram/.
4. Organic Trade Association, http://www.ota.com/index.html.

[4] Greene, Catherine and Carolyn Dimitri. "Organic Agriculture: Gaining Ground." *Amber Waves*. February 2003: 8. http://www.ers.usda.gov/AmberWaves/Feb03/Findings/OrganicAgriculture.htm (accessed February 21, 2011).

DR. RONALD RAINEY is associate professor - agricultural economics and agribusiness with the University of Arkansas Division of Agriculture in Little Rock. **HARRISON PITTMAN** is director and **SHANNON MIRUS** is staff attorney with the National Agricultural Law Center in Fayetteville. **KATHERINE MCGRAW** is research associate - agricultural economics and agribusiness and **DR. JENNIE POPP** is professor - agricultural economics and agribusiness with the University of Arkansas Division of Agriculture in Fayetteville.
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