

and total economic costs were higher for organic soybean production. Conventional producers had higher chemical costs, while organic producers substituted field operations for chemical costs and hired labor costs. Average organic soybean yield is typically lower than conventional, producing 31 bushels per acre compared to 47 bushels per acre, respectively.

... The recession has put pressure on the organics industry, causing consumers to become more selective regarding what products they choose to pay a premium for. While consumers have not abandoned the sector completely, they have become much more selective.

2009 ORGANIC MARKET EXAMINED; CONSUMERS BEING MORE SELECTIVE

U.S. sales of organic products, both food and non-food, reached \$24.6 billion by the end of 2008, growing 17.1% over 2007 sales, according to the Organic Trade Association's *2009 Organic Industry Survey*. The survey, conducted by Lieberman Research Group, found that organic food sales grew by 15.8% to reach \$22.9 billion in 2008. Organic food sales now account for approximately 3.5% of all food sales in the U.S. Increased use of coupons, the proliferation of private label brands and value-positioned products offered by major organic brands all aided in increasing sales, according to the Organic Trade Association.

However, in the fourth quarter of 2008, reports emerged of changing consumer behavior, as well as indications that a plateau was reached in overall organic sales in several categories, reported *Specialty Food Magazine* (March). Consumer use of organics dropped four percentage points, from 73% in 2006 to 69% in 2008, according to The Hartman Group's *The Many Faces of Organics: 2008* report. Contributors to the slowdown include food recalls, confusion over the meaning of organics and price-point frustration. Kara Nielsen, trendologist for the Center For Culinary Development, stated that a better understanding of what organic means and stories about how organic products are produced and why they are important may help the organic market grow.

Consumers are being more selective about what organic products they will purchase in reaction to the economic downturn, reported *Food Business News* (Apr. 14). "Consumers are not leaving the organic marketplace, but they certainly are making decisions about what matters to them within organic and what doesn't," stated Laurie Demeritt, president and chief operating officer of The Hartman Group. "So we are starting to see some consumers who are having to make some trade-offs because of the economic situation, but we certainly don't believe that means people are leaving the category entirely."

Products that seem the most recession-proof are the 'gateway' items such as dairy, produce, meat and other perimeter-of-the-store foodstuffs. Meat and poultry, fresh fruit, soymilk, milk, fish and seafood and bread are the top fresh categories consumers are willing to pay 30% or more for than the conventional version, according to The Hartman Group. Meat and poultry increased from 54% of organic consumers being willing to pay such a premium in 2006 to 65% in 2008, while milk increased from 49% in 2006 to 62% in 2008.

Emerging organic categories include kid-friendly packaged refrigerated meals, artisan products, chocolate, coffee, designer beverages, ethnic foods, convenience foods (frozen, canned/jarred) and raw food like nuts.

The Hartman Group found that buying local is increasing in relevance with 52% of respondents stating it was important, whereas 23% stated it was important for them to buy organically grown food whenever possible. The group also found that 30% of consumers were concerned about and prioritized organic foods being available at fine dining restaurants, with only 18% feeling the same way for full-service restaurants. "We don't think there is going to be a ton of new entrants," stated Ms. Demeritt. "We do see people who are already engaged sometimes