Retail Sales
of
Certified Organic Food Products, in Canada, in 2006

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SUMMARY

Studies commissioned by the Organic Agriculture Centre of Canada (OACC) show $1 billion is a conservative estimate for total retail sales of certified organic products through all market channels in 2006.

- According to data provided by The Nielsen Company (2006), Canadian supermarkets sold $412 million worth of certified organic food products in 2006. This represented 28% growth from 2005 to 2006, with 31% growth in pre-packaged products and 22% growth in fresh product. Supermarkets in Alberta are showing the highest growth in sales from 2005 to 2006 (44%), followed by BC and the Maritimes (34%), Ontario (24%) and Quebec (21%).

- Nielsen (2006) also estimates that $175 million is sold though smaller grocery stores, warehouse clubs, drug stores and other specialty stores.

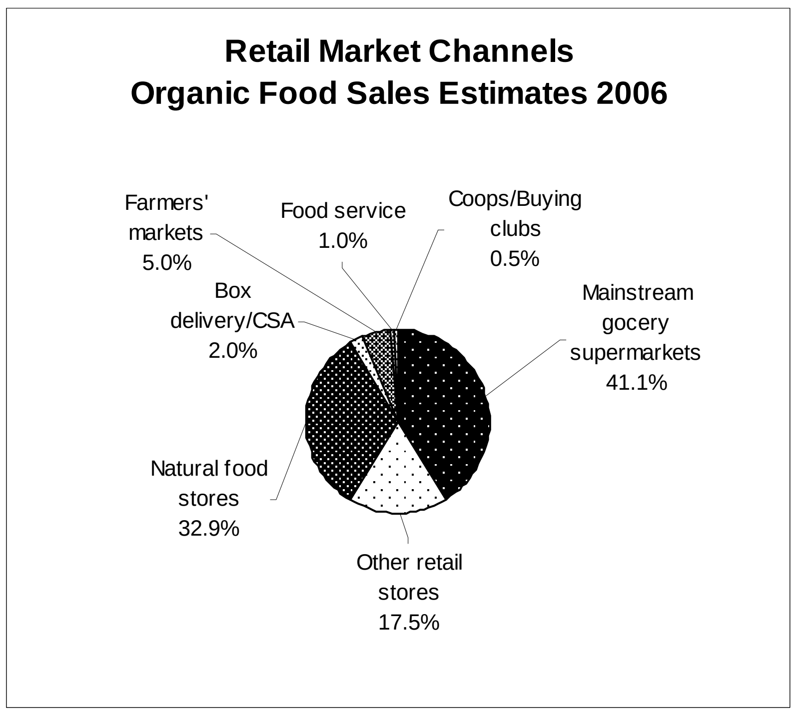
- Information obtained from industry sources indicates that large natural food store chains and the independent health food stores account for another $330 million.

- Organic food box delivery companies and CSA's have sales totalling $20 million.

- Direct sales of certified organic produce at farmers markets across the country and at the farm gate are estimated to be worth at least $50M.

- Restaurants and food service are assumed to have organic sales of at least $10 million.

- Organic food is more popular in British Columbia than in other provinces. 26% of all Canadian certified organic food sales are in BC which has only 13% of Canada's population.



BACKGROUND

Sales of certified organic food occur through a variety of channels. Claims are made that sales are growing by over 20% a year with a steady increase in the proportion of sales through mainstream markets. Correspondingly the proportion through the traditional ‘organic’ channels, such as the natural food stores, directly to consumers through box programs, farmers’ markets or at the farm gate, is believed to be decreasing. Now, for the first time, accurate information is available on the sales of certified organic product through grocery supermarkets in Canada.

This report describes the results of research commissioned by OACC and conducted by The Nielsen Company (2006) and also provides additional information on estimated sales through alternative channels.

In 2006, OACC commissioned The Nielsen Company to provide data on sales through the conventional mainstream supermarkets. Nielsen conducted an inventory of ‘certified organic’ food items sold through the key retailers in each region of Canada except Newfoundland and Labrador and the Territories. A total of 2,676 different food products were found, including brands exclusive to each region and each retail operator. The dollar and volume sales figures for each identified item were then extracted from the Nielsen national scanner database for the years ending August 2005 and August 2006.

The working definition for the study*: All pre-packaged food sold in fixed weight formats as well as fresh or frozen produce and meats sold in random weights or bulk formats that bear the words “certified organic”, “verified organic” and or other language equivalent e.g. “vérifié biologique” and that may or may not also bear the logo of the certifying body.*

Supermarket Banners included in the study are representative of Canada’s leading retailers primarily engaged in the sale of grocery food and non-foods and generating retail banner sales of $150 million annually..

The Nielsen (2006) sales data do not include data from the large natural food stores such as Whole Foods or Organic Planet in cities across the country. Also missing are data on organic sales directly to consumers through vegetable box delivery companies, Community Shared Agriculture (CSA’s), at farmers’ markets and at farm stands. In order to estimate the total sales through all channels, additional information was collected from a variety of sources. These sources included wholesale distributors known to supply alternative channels, natural food retailers, and companies involved in organic box delivery programs in the major Canadian cities and published reports. Very few sales data were provided; actual numbers combined with a broad range of information covering rates of increase, proportions of sales into different markets and other feedback allowed for calculations to be made to estimate totals for the various alternative channels.

FINDINGS

A. Sales through Mainstream Supermarkets

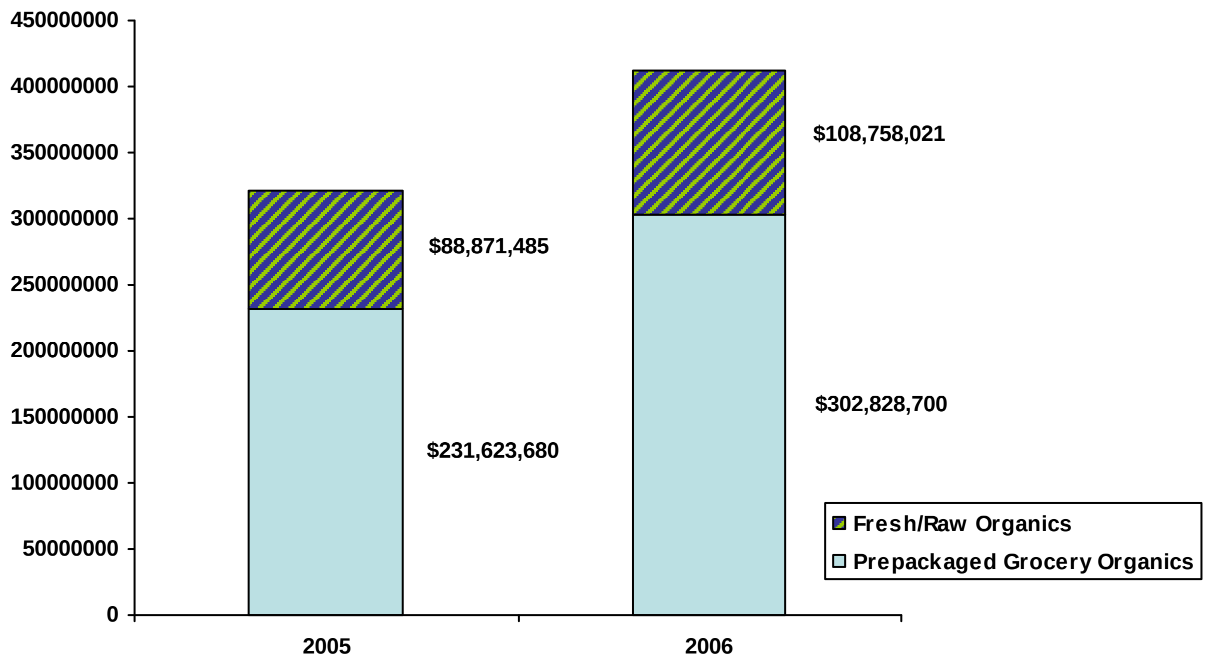
All information and charts for sales through mainstream supermarkets are provided with permission from The Nielsen Company.

The value of certified organic food sales moving through grocery supermarkets only was estimated at $412 million in 2006, up 28% from 2005.

Although growing much faster than grocery products in general in these supermarkets, organic products still represent a very small proportion of the total value of food sold through mainstream channels. In 2006 certified organic product accounted for 0.9 % of a total $46.5 billion in sales of the food categories which include organic products, up 0.2% from 2005. Only in British Columbia is the proportion higher, reaching 1.7% in 2006.

When individual product categories are considered there is significant variation in the organic proportion of the market. Organic vegetables account for 3.5% of all the vegetable sales; Organic fruit accounts for 1.7% of all the fruit sales while 48.7% of all soya drinks are certified organic. Other examples are: couscous 28.3%; bagged broad-leaved vegetables 20.4%; bagged salads 12.1%; apple sauce 8.6%; baby food 8.4 %, maple syrup 7.4% and tofu products 4.4%.

Chart 1 - Domestic Sales of Certified Organic Foods
National Grocery Banners - 52 Weeks Ending August Each Year



© ACNIELSEN 2006
Source: ACNielsen *Market Track* estimates, National grocery banners, 53 weeks ending August 2006. Special to OACC

More certified organic food is sold in Ontario stores than other provinces? with 38% of the total, however British Columbia has a stronger market for organic food with 22.9% of the total sales and only 13% of the total Canadian population.

Table 1: Certified Organic sales in grocery supermarkets by region

Total Organic Foods								
Table 5								
	NAT XNFLD GROCERY BANNER	MARITIMES GROCERY BANNER	QUEBEC GROCERY BANNER	ONTARIO GROCERY BANNER	TL. WEST GROCERY BANNER	MAN +SASK GROCERY BANNER	ALBERTA GROCERY BANNER	BR.COL. GROCERY BANNER
Total Tracked Organic Products								
$ Vol	411,586,721	22,015,415	75,610,763	156,211,838	157,748,705	15,197,219	48,106,042	94,445,444
$ Vol % Chg	28%	34%	21%	24%	36%	26%	44%	34%
Dollar Market Importance	100.0	5.3	18.4	38.0	38.3	3.7	11.7	22.9
Total Fresh Organic Products								
$ Vol	108,758,021	6,098,889	18,563,599	40,006,596	44,088,937	4,864,818	13,303,505	25,920,614
$ Vol % Chg	22%	20%	23%	15%	30%	25%	56%	21%
Dollar Market Importance	100.0	5.6	17.1	36.8	40.5	4.5	12.2	23.8
Total Pre-Packaged Organic Products								
$ Vol	302,828,700	15,916,526	57,047,164	116,205,242	113,659,768	10,332,401	34,802,537	68,524,830
$ Vol % Chg	31%	41%	20%	28%	39%	26%	40%	40%
Dollar Market Importance	100.0	5.3	18.8	38.4	37.5	3.4	11.5	22.6

Source: ACNielsen MarketTrack - 52 Weeks Ending August 5, 2006. Percentage change versus same period year ago. Special to OACC

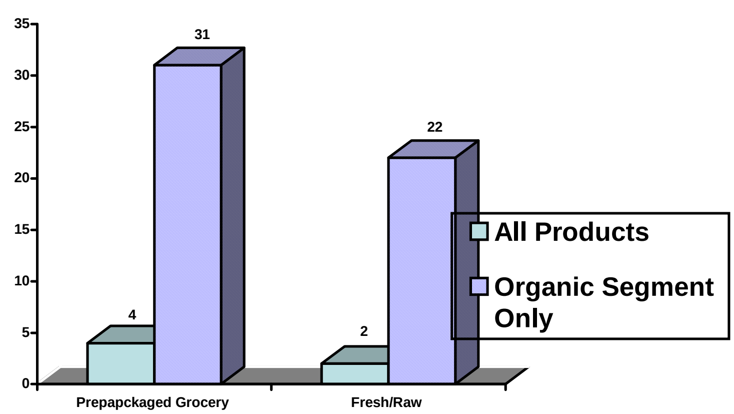
Growth Rates

The average growth rate of the sales of all certified organic products in supermarkets from 2005 to 2006 was 28%. The strongest growth was seen in Alberta with an increase of 44%.

Organic fresh perishable products (produce, raw meat (2.7% of fresh category), fresh cheese 0.2%) are up 22% and pre-packaged products have risen 31%. However growth rates from 2005 to 2006 differ across the country, with BC and Alberta reporting increases of 40% for pre-packaged items compared with 20% and 28% in Quebec and Ontario respectively. This compares with low single digit figures for year over year sales and increases for pre-packaged grocery products (4%) and fresh products (2%) in the supermarkets as a whole. There are no comparable data for sales through alternative channels.

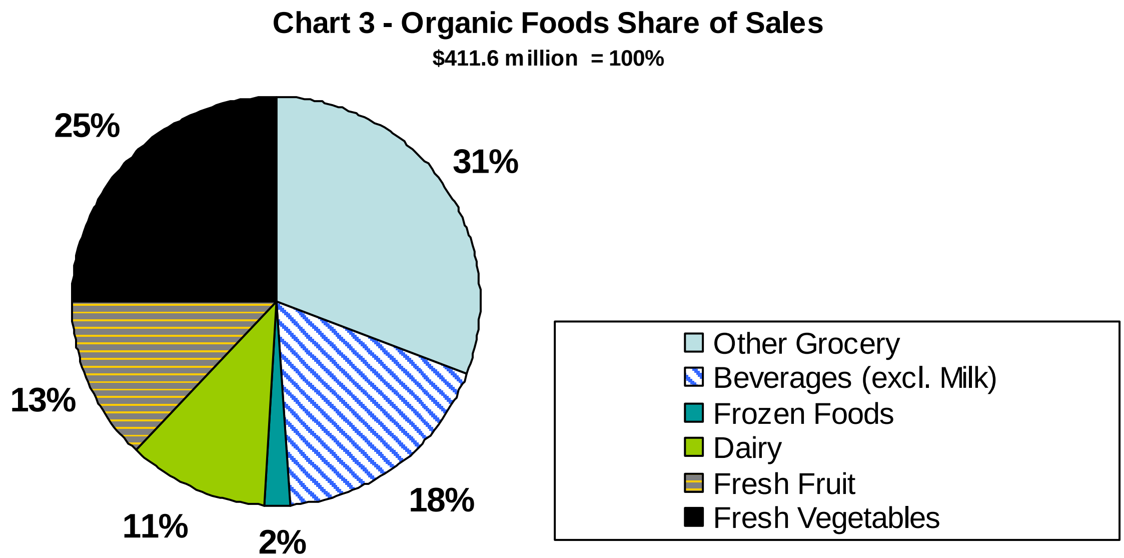
Chart 2 - Year Over Year Dollar Sales Increases

National Grocery Banners - Year Ending August 2006 vs 2005



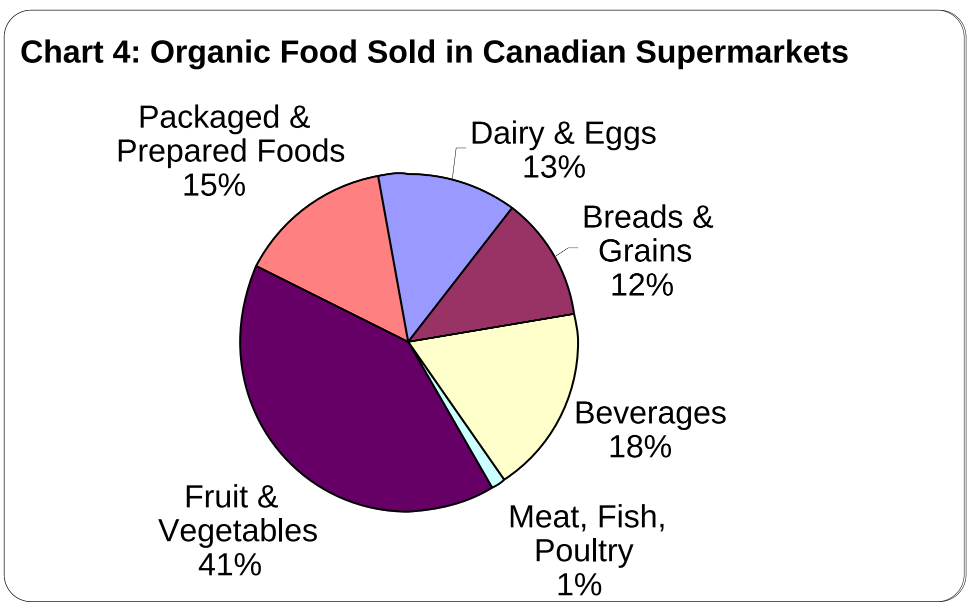
Source: ACNielsen *Market Track* estimates, National grocery banners, 53 weeks ending August 2006. Special to OACC

Share of Organic Sales
The percentage share of sales of organic food categories according to the departments commonly found in the stores is shown in Chart 3.



Source: ACNielsen *Market Track* estimates, National grocery banners, 53 weeks ending August 2006. Special to OACC

Organizing the Nielsen (2006) data slightly differently into food groups provides additional information on the type of food products found in these categories. In Chart 4 fruit and vegetables includes canned products as well as fresh products.



Fresh products
Fresh products account for $157 million or 38% of all the certified organic foods sold through the grocery channel of supermarkets. This amount includes sales of pre-packaged bagged salads and broad-leafed vegetables which were included in the pre-packaged category in Table 1, rather than the fresh product category showing $108 million in sales.

Fresh vegetables account for 25% ($102 million) of all organic food sales. This includes $29 million in sales of bagged salad and $20 million of bagged broad-leaved vegetables with both categories exhibiting major gains from 2005 to 2006 of 78% & 79% respectively. Lettuce is up 41%.

Table 2: Share by type

Vegetable	100%	FRUIT	100%
Bagged salad	27.9	Bananas	25.4
Carrots	22.4	Apples	23.0
Broad Leaf Vegetables	19.7	Grapes	8.2
Lettuce	5.3	Oranges	4.5
Tomatoes	4.2	All other	38.8
Onions	3.4		
Potatoes	2.6		
All other	14.5		

Fruit accounts for 13% or $52 million in sales. Bananas account for 25.4% ($13.1M) of organic fruit sales followed by apples 23% (up 35% since 2005) and oranges 4.5%. Fruit preferences differ from one region of the country to another as shown in Table 3, which shows the percentage of organic bananas and apples of the total organic fruit sales in each region.

Table 3: Percentage share of total Certified Organic fruit purchased in each region

FRUIT	NATIONAL	MARITIMES	QUEBEC	ONTARIO	MAN-SASK	ALBERTA	BC
Bananas	25.4	33.3	39.9	23.4	8.4	12.7	29.3
Apples	23	26.4	22.3	23.8	16.6	18.2	25.1

Although raw meat has a relatively small market ($3 million), it is a rapidly expanding segment showing gains of 81% from 2005 to 2006 at a time when raw meat sales overall declined by 2%. Organic poultry (chicken and turkey) accounts for 61.5% and beef 38.2% of the total organic raw meat with organic beef sales jumping 159% from 2005 to 2006. Again, regional differences are significantly different from the national average with beef being 64% of the organic fresh meat sales through supermarkets in British Columbia and no organic beef sales recorded for supermarkets in Quebec and Manitoba/Saskatchewan.

Table 4: Percentage share of total Certified Organic meat purchased in each region

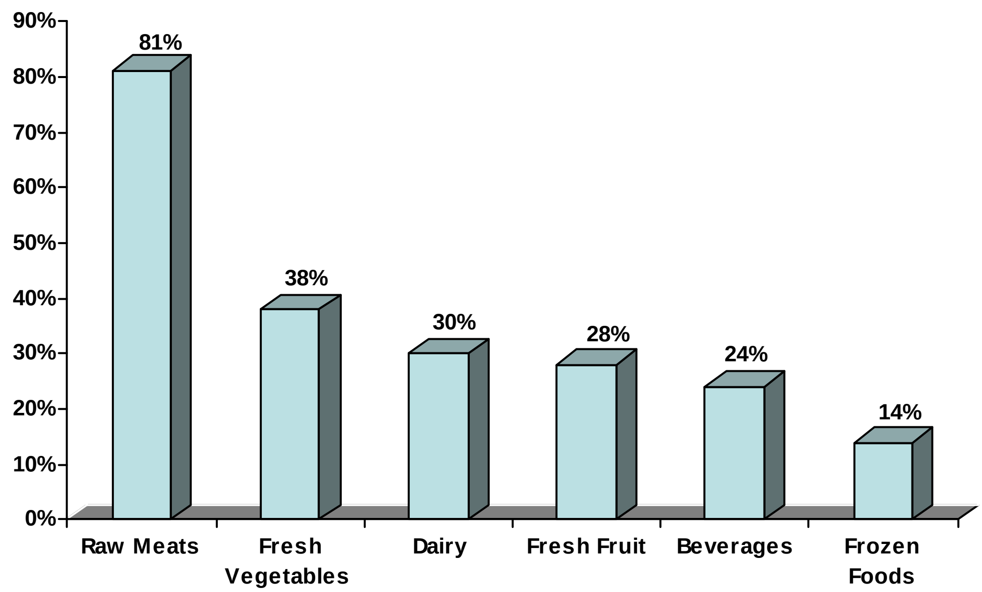
MEATS	NATIONAL	MARITIMES	QUEBEC	ONTARIO	MAN-SASK	ALBERTA	BC
Beef	38.2	3.5	NA	42.9	NA	45.1	64
Poultry	61.5	96.5	98.7	57.1	100	54.9	36

NA – no data available.

Processed/packaged Organic Foods

Beverages and dairy products lead the market with $74 million (18% of total) and $45 million (11%) respectively. Of all product categories Soya drinks lead the sales nationally and in each province. Yogurt, ready-to-eat cereals and milk follow in importance but their relative importance varies from province to province .
Products in fourteen categories doubled their sales value from 2005 to 2006 with thirty four categories showing sales up by at least 50%.

Chart 5 - Organic Foods Rates of Growth by Department
National Grocery Banners - % Increase in Retail Receipts 2006 vs 2005



Source: ACNielsen *MarketTrack* estimates. 52 weeks ending august 2006 vs 2005.Special to OACC

Imports Versus Domestic

Of the 2676 food items identified in the study, 47% were labelled as grown, packaged, or processed domestically and 51% were imported (2% unknown). This does not mean that the actual contents were produced in Canada. One obvious example is coffee; beans are imported but then roasted, packaged and labelled in Canada and would have been picked up in the study as Canadian product. Also note that this data refers to the number of brands, not to the volume of sales. Imports were highest in British Columbia and Manitoba-Saskatchewan with 54%, and lowest in Quebec with 49%. One hundred percent of milk and commercial bread is domestic product, followed by yogurt (97.2%), cheese (96.6%), jams & jellies (91.7%), flour (82%) and tofu (79.4%).

It is expected that import harmonized code trade data will be available in future years to improve estimates of how much organic food is produced in Canada (AAFC 2006).

The Producers
Name brand products made up 86% of the food items identified; the remainder were private label products. There were 254 different name brand producers involved in the growing, manufacturing or distribution of items identified across 149 product categories. Most (74%) were involved in single categories. Categories with the largest number of manufacturers were tea, pasta and snack foods.

B. Sales Through Other Conventional Channels

Using their ***Homescan*** data which tracks consumer purchases of approximately 12,300 Canadian households by shopping destination, Nielsen (2006) was able to estimate the amount sold through other conventional retail channels. They arrived at a total of $175 million of organic sales through smaller grocery stores, drug stores, mass merchandisers, warehouse clubs and speciality shops. This brings the total sales through mass market channels to **$586 million.**

Participating households scan the bar codes on packaged food purchases to provide the ***Homescan*** data. It is possible that some of these sales are also included in the estimates for natural food stores.

C. Alternative Channels

NATURAL FOOD STORES
Information obtained from distributors supplying natural food stores indicates that there are significant regional differences in the proportion of sales to natural food stores versus mainstream supermarkets. In the west, sales from organic distributors are higher to natural food stores than to mainstream supermarkets; in the east, sales to mainstream supermarkets are greater than sales to natural food stores.

Growth rates
Distribution companies servicing the alternative channels are reporting average annual increases ranging from 10-20% a year but highly variable rates depending on the commodity. For some commodities such as meat and dairy products, growth rates are similar in both mainstream and natural food stores. Other commodities are showing more growth in mainstream stores because these stores are reaching new organic consumers while natural food stores tend to have a more established clientele.

Pre-packaged Grocery items (excluding all fresh fruit and vegetables)
Extrapolating the limited numbers available from distributors, it is estimated that 45% of certified organic grocery product sales are through natural food stores in Ontario. If it is also 45% in Quebec and the Maritimes, then by extrapolation, there is $134 million in sales though the large and small natural food stores in the east. Forty- five percent may be a low percentage for Quebec given that a report from a study carried out by McAllister Opinion Research (2006) shows only 44% of consumers regularly buy organic from supermarkets in Quebec, compared with 50% in Ontario, and 24% regularly buy from natural food stores compared with 12% in Ontario. Increasing the percentage to 50% in Quebec brings the estimate to $144 million.

In Saskatchewan and Manitoba the percentage is believed to be similar to Ontario, which adds another $6.5 million in sales.

Information provided by industry sources estimates retail sales of grocery products through natural stores to be about $71 million in BC, 55% through the natural food stores, compared with 45% through the mainstream supermarkets. In Alberta the proportion is less; 51% through the natural food stores or $29 million in sales.

In total it is estimated that sales of grocery products through natural food stores in Canada including the large chains and smaller independent stores is **$251 million.**

Produce

Extrapolating from the limited data available suggests a value of **$75 million** in sales of fresh produce (fruit and vegetables) through natural food stores, although it is difficult to estimate the amount being sourced directly from suppliers instead of through specialized organic wholesalers.

Attempts to verify this information using other available data indicate that there may be errors in the assumptions. For example, if one assumes the split is 65% vegetables and 35 % fruit; fruit sales would be $27 million. Extrapolating using the same proportions as found in the ACNielsen (2006), 25% would be bananas or $7 million. This is considerably less than the amount arrived at by extrapolating January 2007 import figures for organic bananas and assumes that banana sales are relatively constant from month to month. It is, however, too soon to make assumptions based on the first months data given that 2007 is the first year that organic foods have been included in the Harmonized Commodity Description and Coding System that is used to tracks imports and exports. Forty one organic categories were included for 2007 (AAFC 2006) and an additional 40 categories are proposed for 2008 (D. Peters, personal communication, AAFC). This Agriculture and Agri-Food Canada funded pilot project is a collaboration between Statistics Canada, the Canadian Border Services Agency, the Canadian Food Inspection Agency (CFIA) and Canada’s organic industry.

Meats

Information specific to meat sales was not provided, however it is thought that fresh and frozen organic meat sales would be more in the natural food stores than mainstream supermarkets. It is reasonable to assume that less than half, possibly 40%, of meat is sold in supermarkets. Thus 60% of the total meat sales would be **$4 million** in natural food stores.

BOX DELIVERY

Companies involved in box delivery programs in the major Canadian cities were identified and sales information was requested. Good information was obtained for year round home delivery services (52 weeks per year). Also included are data for seasonal CSA programs where delivery is only 20-25 weeks, but this is limited to the larger CSA programs. In some cases actual sales figures were provided and in others, the average number of boxes per week and average price/box were used.

The dollar sales value of certified organic product going through yearly and seasonal box delivery schemes in Canada is **$20 million** (considered to be a fair estimate given that some CSA farms were missed). About $17 million of this amount represents produce.

Fifty-two percent of the total sales are in BC, 20% in Quebec, 16% in Ontario and 8% in Alberta.

FARMERS MARKETS

A 2006 study of the 100 farmers' markets in BC done by David Connell (2006) at the University of Northern British Columbia found direct sales to be $65 million. Most, if not all of these markets, have some certified organic sales – the percentage depends on the location of the market. If 5-10% of the produce sold was certified organic that would be $3 - 7 million in BC. Extrapolating at 5% of total sales at farmers markets in Ontario, Quebec and the Maritimes adds at least $40 million to the total. There were 127 markets in Ontario with estimated total sales of $500 million in 1999 according to a study done by Cummings et al. (1999). The 2006 figures are unknown, but growth is assumed.

The McAllister Opinion Research (2006) shows a high percentage of the consumers purchasing organic food did so mainly at farmers' markets or directly from farmers (Atlantic Canada 31%, QC 25%, ON 29%, MB 35%, SK 43%, AB 37% and BC 31%), which suggests that an estimate of 5% organic sales in farmers markets is a conservative assumption. If so, the contribution of direct marketing to the total would be higher than the $40 million figure obtained above and is likely closer to **$50 million.**

OTHER (restaurants and other food service, buying clubs and coops)

Produce going to food service is obtained through wholesale channels and directly from individual producers. The sales value is estimated as at least **$10 million,** given the increasing popularity of organic menu items, but accurate data were not available. Sales going through Co-ops and buying clubs are estimated at another **$5 million**.

D. Estimate of Total Sales Through All Channels

Conservative estimates put the total retail sales of certified organic product in Canada at just over $1 billion. However some retailers in BC have indicated that the estimates obtained seemed low based on their personal experience, indicating a clear need for better data for the natural food markets. The contribution from direct sales may also be greatly underestimated.

The Nielsen Company (2006) showed that 22.9 % of the certified organic sales through mainstream grocery stores were in BC. When data for other channels is taken into account, BC has 26% of the sales.

Table 5: Total sales of certified organic product through all channels 2006

Distribution channel	Sales ($ millions)	Percentage of total
Mainstream grocery stores (Neilson)	411.6	41.1%
Other conventional retail (Neilson)	174.7	17.5%
Natural Food Stores (large and small)	329.8	32.9%
Box Delivery schemes	20	2%
Farmers Markets/Direct from farmers	50	5%
Food Service/Institutional	10	1%
Coops/buying clubs	5	0.5%
Total	**1001.1**	

In the past, estimates for the Canadian market have been made based on a percentage of known figures for the US market. The figures reported here indicate that such an extrapolation is misleading. According to Heller (2006), data reported at OTA's All Things Organic™ Conference and Trade show in May 2007 from the 2007 Manufacturer Survey showed that US sales totalled nearly $17 billion in 2006, a 22% increase from the previous year. This represents 3% of total food sales.

Also, according to market data provided by Laurie Demeritt (2006) of the Hartman Group, consumer buying habits in the US have changed over the last few years. They show an increasing proportion of organic sales through the natural food stores (29% in 2000 compared with 49% in 2005). In Canada, the trend has been in the other direction, With recent expansions of large natural food chains, changes might be expected in the future. There is clearly a need for data collection on sales through alternative channels similar to that obtained from The Nielsen Company (2006) market data for mainstream supermarkets.

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