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GOING GREENER: THE EMERGING ORGANIC SECTOR IN THE GREEN INDUSTRY

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- *Trends likely to shape the market for organic garden and landscape products include….*
- *Nearly two-thirds of US consumers bought organic products in 2005, up from about half in 2004*
- *Organic lawn and garden care recorded $360 million in sales, out of a total $6 billion organic sector.*
- *Mid-level consumers (66% of all consumers) are good consumers to market to since they show enthusiasm for new products, are willing to experiment and may be willing to spend more on products that provide clear benefits.*

The 2002 USDA national organic certification program, together with innovative marketing within the natural and organic sectors, has led to a high consumer profile and strong market presence for the organic foods industry. As the organic sector matures, there is reason to believe that growth will occur in several forms, both through new consumers adopting organic products into their households, and all consumers beginning to explore product lines outside of foods, including clothing, health and beauty products and purchases for their gardens and home landscapes. This article explores some of the market trends, likely con sumers and potential growth for the horticulture and green industries within the organic sector.

Organic agriculture is economically important; it is one of the fastest growing sectors of U.S. agriculture, with sustained growth of approximately 20% per year for the last 15 years (Oberholtzer, et al. 2005). Sales reached $10 billion in 2003 (Table 1) and the Nutrition Business Journal estimates sales continued to increase to $13.8 billion in 2005 (Organic Trade Association, www.ota.com). According to Consumer Reports "nearly two-thirds of US consumers bought organic foods in 2005, up from about half in 2004" so that the sector is being viewed less as a niche market, and being fully integrated into a variety of retail sales categories. Other retail products that have shown increased organic product offerings and consumer demand include supplements and body care, pet foods, household goods (including yard and garden care), flowers and clothing (Table 2). Business managers in each of these segments are trying to learn from the marketing research on organic food consumers that may help them best serve their organic consumers.

There is little data on organic lawn care, but one estimate for 2005 was that organic lawn and garden care recorded $360 million in sales, out of a total $6 billion industrywide, so organics represent 6% of the market's

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Table 1

Total Foods and Organic Foods Consumer Sales and Penetration, 1997-2005

	Organic Food ($Mil)	Organic Food Growth	Total Food Sales ($Mil)	Organic Penetration
1997	$3,594	na	$443,790	0.81%
1998	$4,286	19.2%	$454,140	0.94%
1999	$5,039	17.6%	$474,790	1.06%
2000	$6,100	21.0%	$498,380	1.22%
2001	$7,360	20.7%	$521,830	1.41%
2002	$8,635	17.3%	$530,612	1.63%
2003	$10,381	20.2%	$535,406	1.94%
2004	$11,902	14.6%	$544,141	2.19%
2005	$13,831	16.2%	$556,791	2.48%

Source: *Nutrition Business Journal* estimates based on OTA's 2006 Manufacturer Survey, annual *Nutrition Business Journal* surveys of manufacturers, SPINS, and other sources.

Table 2

Organic Non-Foods Category Share, 2005

Organic Categories	05 Sales ($Mil)	% Growth 2005
Organic Supplements	$238	29%
Organic Personal Care	$282	28%
Organic Household Products/Cleaners	$19	29%
Organic Pet Food	$30	46%
Organic Flowers	$16	50%
Organic Fiber (Linens & Clothing)	$160	44%
Total Organic Consumer Non-Foods Sales	**$744**	**32.5%**

Source: Organic Trade Association

value. However, given current growth, sales are expected to reach $670 million by 2011 (Packaged facts). In terms of sales growth and integration into supply chains, organic garden and lawn care is mimicking the organic foods market. Most growth thus far has been driven by broader trends leading households to buy more organic products in general, and more specifically, interest in fertilizers, growth media and pesticides (to lesser degree).

Thirty-nine percent of the U.S. population uses organic products, and it seems the motivation for adopting organic products is becoming more diverse among consumers. Some say it tastes better, some that it's more nutritious, others that it is better for the environment and the farmer, because organic foods are grown without the use of certain synthetic materials. Although some of these issues do not translate for home and garden products, we may see the environmental and safety issues related to pesticide residues leading some consumers to extend organic shopping into purchases for their home, garden and landscape.

Organic Consumers

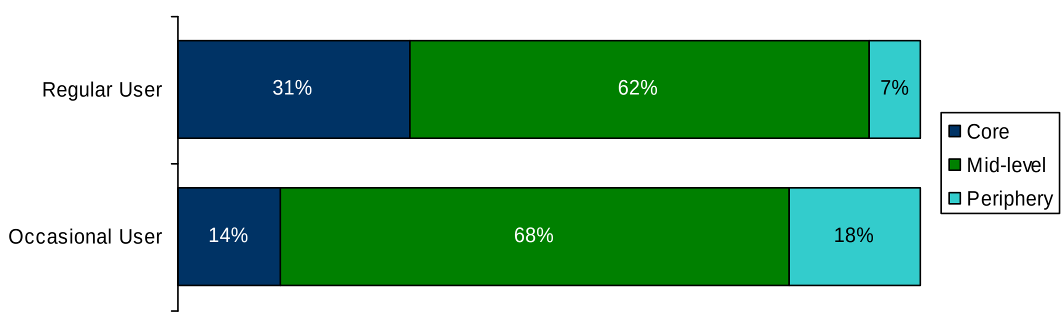
As mentioned previously, organic consumers are a growing and diversifying population in the US. One study by the Hartman group (www.hartman-group.com) divides organic consumers into three segments, based on their consumption of organic or natural foods and beverages, importance of organic vs. non-organic when shopping for produce, and knowledge and concern about how food affects health and the environment (Figure 1). Periphery consumers are just beginning to use organic foods and beverages and are not fully convinced of the benefits of organics and are not willing to spend the time and energy to learn more about them. The periphery organic consumers (13% of all organic consumers) rarely deviate from habitual shopping patterns, and subsequently, become familiar with a very small number of organic products. Core organics consumers (21%) have made all things organic--ingredients, recipes, dining out (when possible), fibers, personal care and household products. These consumers are often influencers, sharing information and critical discussion with peers as they seek new products, information, and many take "organic" a step further expanding into biodynamic, local, and raw foods. But, possibly the most promising segment for most garden and landscape businesses to target is the mid-level consumer (66%). The mid-level consumer segment is the largest target and appropriate to target for new business for several reasons: they show enthusiasm for new products, are willing to experiment and are open to trying new products and companies. They may be willing to spend more on products that provide clear benefits and/or peace of mind and have confidence in the organic certification process of USDA as well as trusting larger companies to do adequate research and distribute high-quality products. Figure 1 shows the frequency of purchases/use in organic categories among these segments.

In a recent CSU study on organic produce consumers, they found a consumer segment that is likely to be of interest to the organic lawn and garden industry as well (Bond, Thilmany and Keeling-Bond). The Young and Environmentally Conscious consumers were about 25% of consumers and were named as such due to relatively high rankings for organic production, relationships with producers, and the related brand-name, packaging, and traceability variables. Interestingly, the income of this group is relatively lower and price is less important than one would expect. In the CSU study, there was similar concern between organic and locally produced claims, and the share of price premium that consumers were willing to pay in order to support perceived benefits of organic production, including environmental benefits, support of local producers, quality and safety of produce and improved nutrition (the only factor not transferable to garden products), were relatively similar (Figure 2).

Emerging Issues in Organic Agriculture

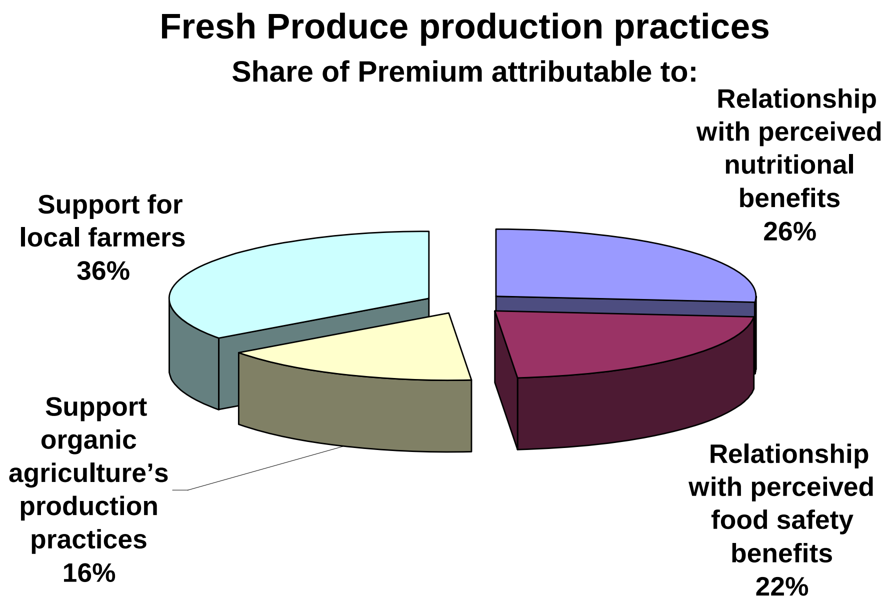
The term "organic" as applied to farming was first used in the U.S. by J. I Rodale in 1940 who developed his ideas based on the works of Sir Albert Howard in England, Rudolph Steiner in Germany, and Dr. William Albrecht of the University of Missouri. Now, organic farming is practiced in approximately 100 countries throughout the world, with more than 24 million hectares (59 million acres) now under organic management (OTA). The status of organic agriculture has changed dramatically since USDA-NOP standards were finalized in 2002. The most recent estimates show that organic crop and pasture land doubled between 1997 and 2001 to 2.3 million acres, with production in almost every state. Yet, with growth, the industry also faces challenges, including consumer confidence in the organic certification process and claims, and increased demand for technical assistance and

Figure 1: Organic Product Usage by Consumer Segment



Source: The Hartman Group

Figure 2



more producers and retailers seek to provide organic products to consumers. For the garden and lawn care industry, it is essential that consumer education and transparent processes for the industry are undertaken.

So, as the garden and lawn care industry looks to the future, there are several lessons that can be gleaned from the organic food sector's recent growth and challenges. First, it is important to communicate and position organic products with health as the key message, whether it is related to nutrition for food, or to safety of use for any product that is part of consumers' households and daily lives. Also, it is important to recognize and target a diversity of consumers, with different motivations and interests in the role organics may play in their lifestyles. Moreover, it is important to understand which organic product and service categories are most appealing to consumers within the garden sector. Finally, rather than seeing organics as a fully new approach for your business, it may be more effective to position organic products as simply another choice for your consumers and integrate these product lines and services into the full set of offerings for your business.

Partners in the Organic Industry

Eight USDA agencies have started or expanded programs on organic agriculture in recent years. These include numerous state partners (57 in 42 states to support organic research and education, including land grant institutions or 1890 colleges, state agriculture departments, or other agencies. The availability of price and market information, past and ongoing research, risk management tools and regulatory oversight continues to increase within the USDA as well as with industry partners such as the Organic Trade Association, Organic Farming Research Foundation, and various nonprofit and regional groups supporting organic agriculture. The following list of resources provide information on the types and source of information among various government, industry and nonprofit partners.

Resources for Organic Producers, Agribusinesses, Researchers and Students

- **USDA-Cooperative State Research, Education and Extension Service (CSREES)** http://csrees.usda.gov/, 202-401-4879

- CSREES addresses organic agriculture through competitive funding, creating partnerships with Land Grant universities through research projects, Extension programs. This agency funds many of Colorado State University's programs, and has some grant programs available for research in this area.

- **Organic Farming Research Foundation (OFRF)** www.ofrf.org, 831/426-6606

- A nonprofit foundation that sponsors research related to organic farming practices, publishes research results for organic farmers and growers interested in adopting organic production systems, and educates the public and decision-makers about organic farming issues.

- **Organic Trade Association (OTA)**
  www.ota.com, Phone: 1-(413)-774-7511, info@ota.com

- Organic Trade Association (OTA) is a membership-based business association that focuses on the organic business community, including processors, wholesalers, brokers and retailers. OTA's mission is to promote and protect the growth of organic trade to benefit the environment, farmers, the public and North American economy.

- The Organic Pages Online—The Organic Trade Association offers a searchable online directory of its members, at www.theorganicpages.com.

- The O'Mama Report—The Organic Trade Association's consumer web site, this provides many resources and articles of interest to consumers interested in organic agriculture and products. The site: www.theorganicreport.org.

- **Sustainable Agriculture Research and Education (SARE) Program**
  http://www.sare.org/, 202/720-6527

- Administered by USDA-CSREES, SARE sponsors grants that advance farming and ranching systems that are profitable, environmentally sound, and good for families and communities.

- **Midwest Organic and Sustainable Education Service (MOSES)**
  www.mosesorganic.org, 715/772-3153

- A farmer-run nonprofit educational outreach organization dedicated to organic farming. Organizes Upper Midwest Organic Farming Conference (UMOFC), offers booklist, and free resources. Provides organic production and certification workshops to agricultural education professionals.

- **Appropriate Technology Transfer for Rural Areas (ATTRA)-** a project of NCAT
  www.attra.ncat.org, 800/346-9140

- Provides free publications on specific organic and sustainable production methods, crops, marketing, and organizations. Has an extensive website full of information. Technical specialists will prepare custom resource packets for subjects not currently in print.

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