The OTA 2004 Manufacturer Survey Overview

Researched and produced for the Organic Trade Association under contract by Nutrition Business Journal

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U.S. Organic Industry Overview

The U.S. organic industry grew 20% to reach $10.8 billion in consumer sales in 2003. Organic foods, by far the largest and most clearly defined part of the organic industry, grew 20.4% in 2003 and accounted for $10.38 billion in consumer sales. Other organic products or 'non-foods'—including personal care products, nutritional supplements, fiber, household cleaners, flowers, and pet food—grew 19.8% in 2003 and totaled $440 million in U.S. consumer sales.

Organic Foods Market

The $10.38 billion in consumer sales of organic foods in 2003 represented 1.9% of total U.S. food sales, a 'penetration rate' that has grown from 0.8% in 1997. Organic foods have shown fairly consistent annual growth rates of 17% to 21% since 1997. With growth of total U.S. food sales in the 2-4% range since 1997 and organic foods growth in the 17-21% range, it is clear that organic foods are making steady progress into the American mainstream, nearly tripling in sales since 1997.

Total Foods and Organic Foods Consumer Sales and Penetration, 1997-2003

	Organic Food ($Mil)	Organic Food Growth	Total Food Sales ($Mil)	Organic Penetration
1997	$3,566	na	$443,724	0.8%
1998	$4,272	19.8%	$454,071	0.9%
1999	$5,043	18.1%	$474,678	1.1%
2000	$6,104	21.0%	$498,379	1.2%
2001	$7,359	20.6%	$521,831	1.4%
2002	$8,624	17.2%	$538,033	1.6%
2003	$10,381	20.4%	$554,830	1.9%

Source: Nutrition Business Journal estimates based on OTA's 2004 Manufacturer Survey, annual Nutrition Business Journal surveys of manufacturers, SPINS, and other sources.

Organic Food Channel Distribution

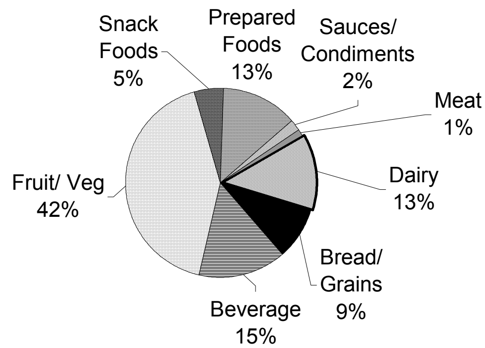
As organic foods become part of the American mainstream, they are increasingly found in more mainstream retail establishments. While the independent natural grocery or health foods store laid the tracks for the organic foods manufacturer and supplier, sales have since penetrated many other channels to the point that independent natural food stores represented less than 30% of organic food sales in 2003. Combined with the largest natural food chains (Whole Foods Market and Wild Oats) the entire natural foods/specialty retail channel still represented the largest portion of U.S. organic sales at 47% in 2003. The mass market channel, which includes supermarkets, grocery stores, mass merchandisers and club stores, accounted for 44% of sales in 2003, with direct sales through farmer's markets and co-ops, food service and exports making up the remaining 9%.

Organic Food Categories

Fruit and vegetables account for by far the largest portion of sales at 42%. Larger, more established categories dairy, breads & grains, beverages, fruit & vegetables, and packaged/prepared foods grew at more modest rates in 2003 than the smaller, less established categories snack foods and meat and poultry. Overall respondents forecasted an average annual growth rate of 18% for 2004-2008.

Organic Food Category Share, Consumer Sales in 2003 in $mil

Organic Food Categories	Sales ($Mil)	% Growth 2003
Dairy	1,385	+20.3%
Bread & Grains	966	+22.9%
Beverages	1,581	+19.3%
Fruit & Vegetables	4,336	+19.9%
Snack Foods	484	+29.6%
Packaged/Prepared Foods	1,326	+16.0%
Sauces/Condiments	229	+23.5%
Meat/Fish/Poultry	75	+77.8%
Organic Food Sales	**10,381**	**+20.4%**



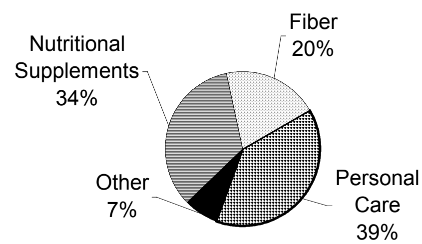
Source: OTA's 2004 Manufacturer Survey. Category and growth estimates derived from survey responses, Nutrition Business Journal's organic industry model, SPINS retail data, and other sources.

Organic Non-Food Categories

Other organic products, or non-foods, had consumer sales of $437 million in 2003 and growth of 19.8%. Compared to organic foods, which had a penetration rate of 1.9% in 2003, organic non-foods are significantly 'under-developed' as a category and accounted for only 0.15% of total sales in their respective conventional categories in 2003.

Organic Non-Foods Category Share, 2003

Organic Categories	Sales ($Mil)	% Growth 2003
Personal Care	170	+19.4%
Nutritional Supplements	151	+15.1%
Fiber	85	+22.7%
Other (HH Cleaner, Flowers, Pet Food)	32	+41.9%
Total Organic Consumer Non-Foods Sales	**437**	**+19.8%**



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Methodology & Acknowledgements

The OTA 2004 Manufacturer Survey was conducted and produced on behalf of OTA by Nutrition Business Journal. The survey was conducted in February and March of 2004. More that 300 companies responded to the survey, with 272 companies providing wholesale organic sales totaling $3.2 billion or a survey capture rate of 73% of the $4.4 billion in wholesale sales of packaged organic foods (excluding unpackaged produce or store-label products).

The complete 85-page survey, including a 2004-2008 forecast by major category and all 60 sub-categories is available for $495 standard rate and $195 OTA Member rate.

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