January Newsletter

Happy New Year!

Here we are on the other side with a new decade in front of us. What will the new Roarin' 20's bring us? Will this decade be the one where grocery e-commerce hits critical mass? Are we in for a whole new level of technological advancement in the stores? Augmented reality, personalization, Robotic produce clerks? Who knows? And what of the products themselves? What new fruit and vegetable varietals can we expect to see? Will ethically traded products become more mainstream? Will Organic produce begin to slowly replace conventional? Again who knows?

That last question is an interesting one. Especially considering we are only a couple short days away from the Global Organic Produce Expo. To prepare for GOPEX, the January edition of the Execulytics Newsletter will focus on Organics. This time, we'll predict organic premiums in our exclusive feature ***Produce Moneyball***. Then we'll ask the customers about their organic produce purchase and usage habits in ***That's what she (and he) said***. And finally, we'll observe organic merchandising at its best in ***Store Tours***.

I hope you enjoy this month's Organics inspired edition. Feel free to forward to a friend or two who might find this stuff interesting.

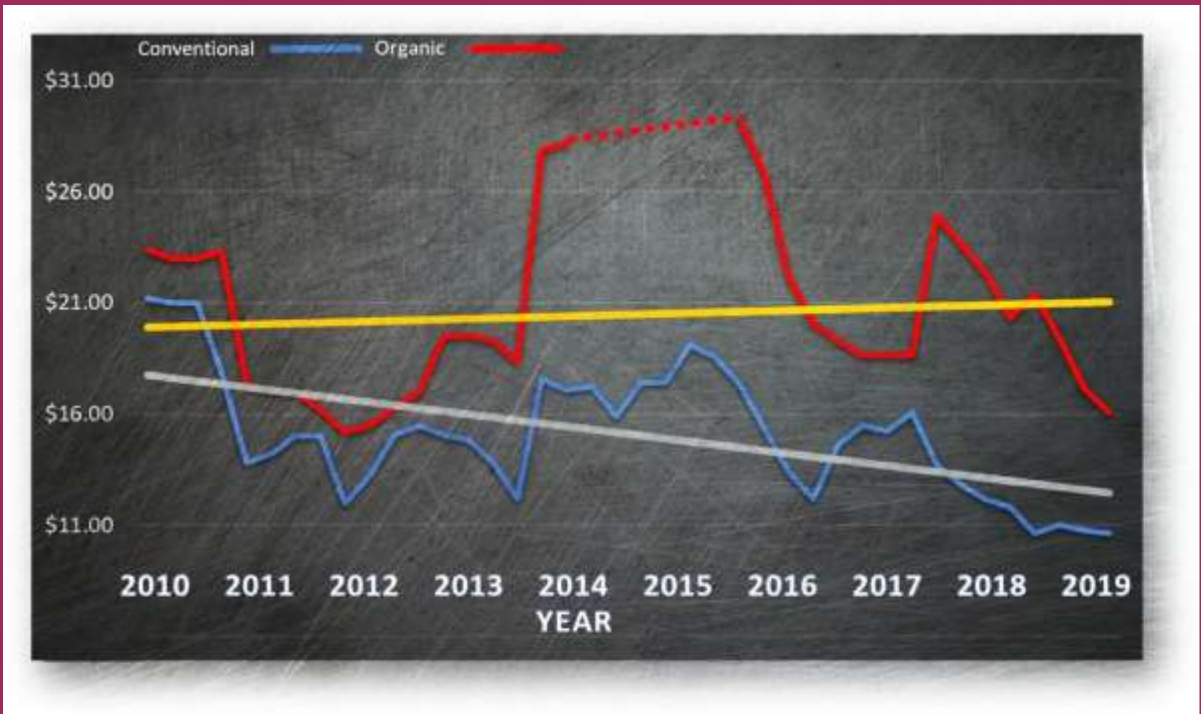
Produce Moneyball

Ordinarily, we would predict next months costs in our Produce Moneyball feature. This month, we take a bit of a different slant. While we will still be predicting costs for February, instead of forecasting FOB costs for a conventional product, this month, we will predict the anticipated cost premium for seasonal organic products and use those premiums to project the costs. The premium will represent the difference between its cost and the cost of its conventional counterpart.

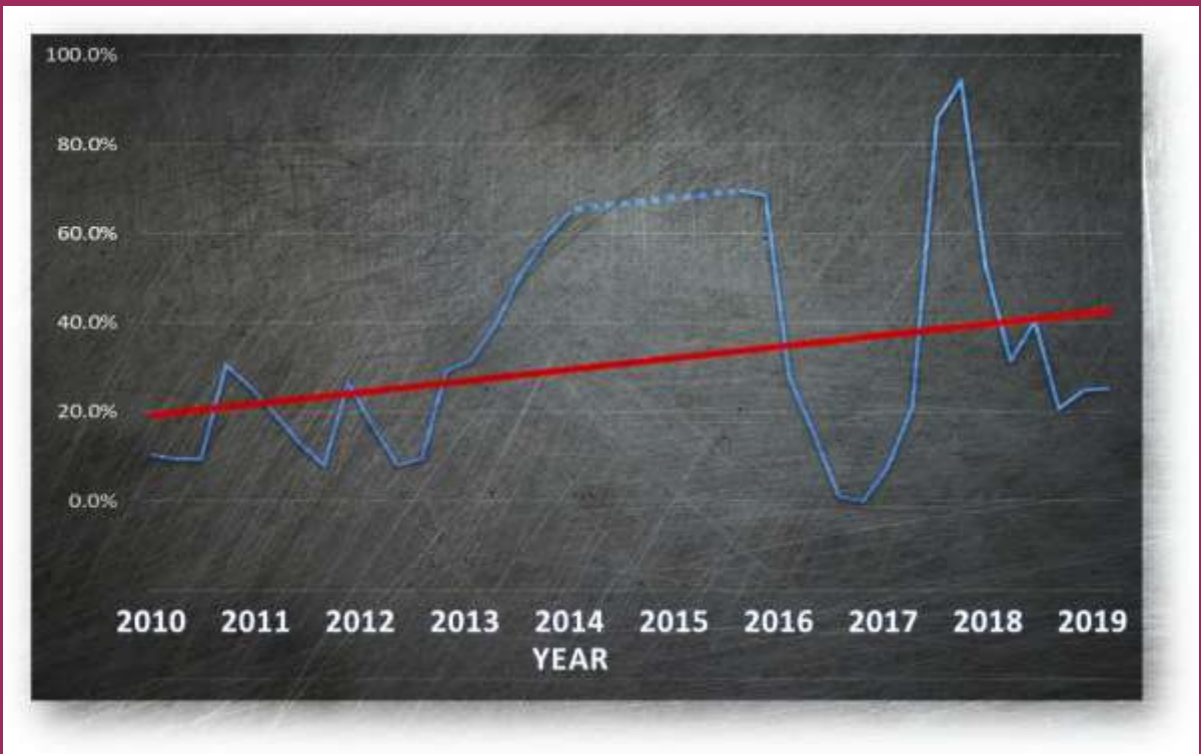
In this edition, using historical premium trends we will predict the February costs for 12x6 oz. organic blueberries, 72 count organic navel oranges and 40 lb. organic sweet potatoes. Remember historical trends can yield accurate projections but it will never predict unexpected events that drastically change the level of supply or demand of a product.

12x6 oz. Organic Blueberries

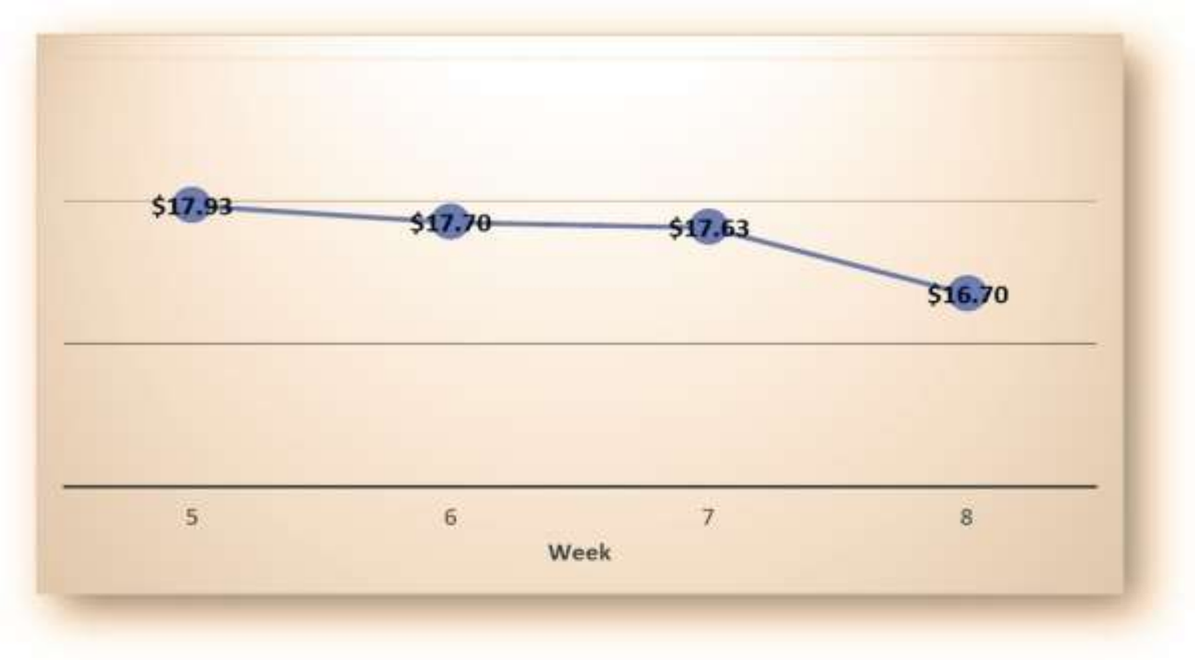
Who among us does not like the sweet crunch of blueberries? The fact they are a superfruit is just a bonus, right? Let's dig deeper, the chart below has lots to unpack. What jumps out is conventional blueberry costs are deflating over time, while organic is inflating. And organic mirrors conventional. The dotted line represents missing data. That happens from time to time.



If we look just at the organic premium, we see that it has trended from approximately 20% to 40% over the last ten years. Here's where things get fun.

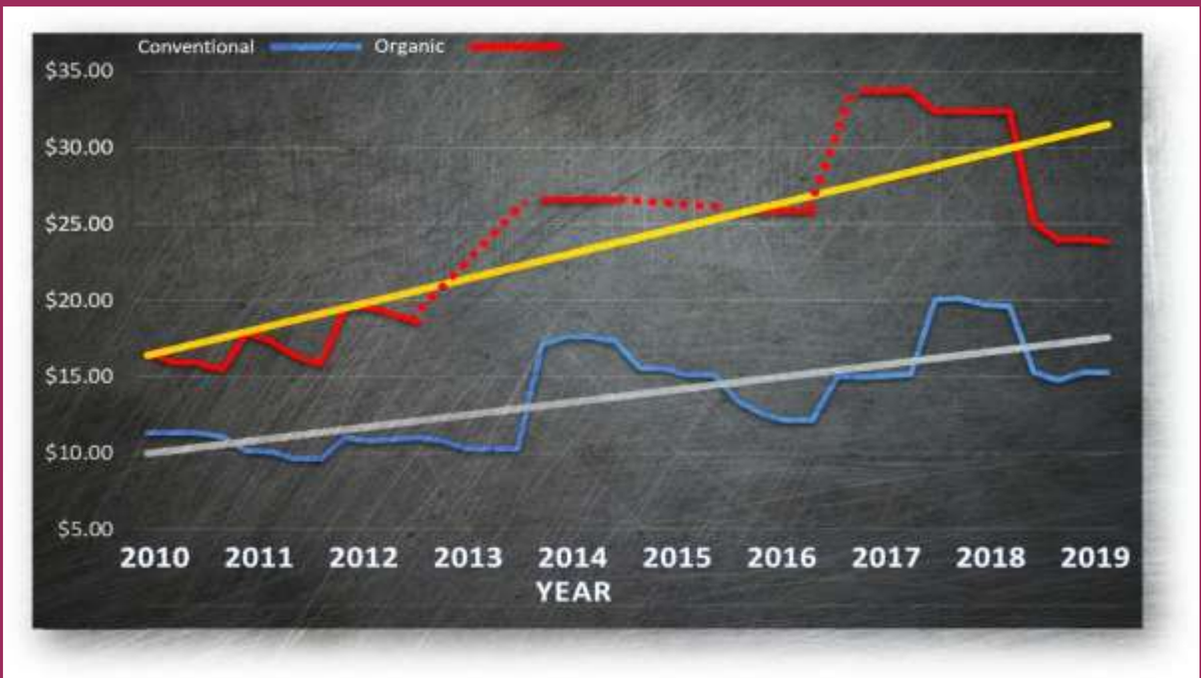


If we predicted the cost of conventional blueberries, the same way we have done for months now in Produce Moneyball and add the forecasted organic premium, we can predict the cost for organic blueberries this February. Now wasn't that fun? I wouldn't lie. But I would say wait for the dip at month's end.

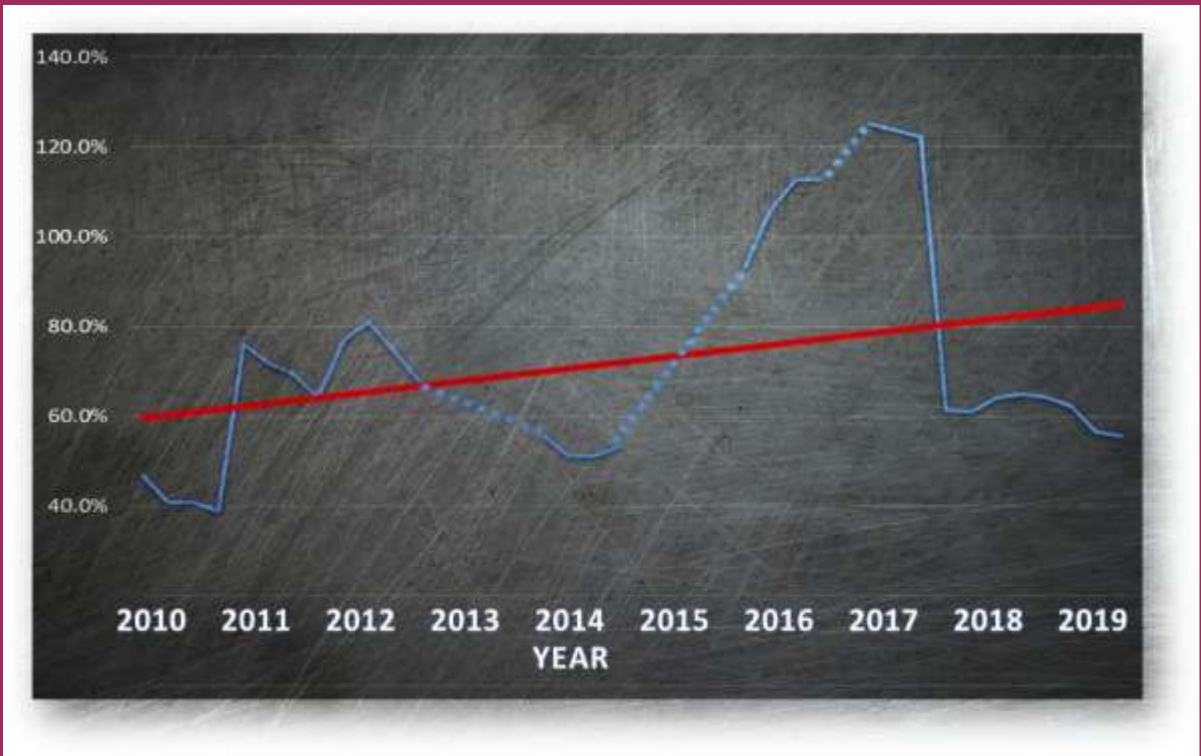


72 count Organic Navel Oranges

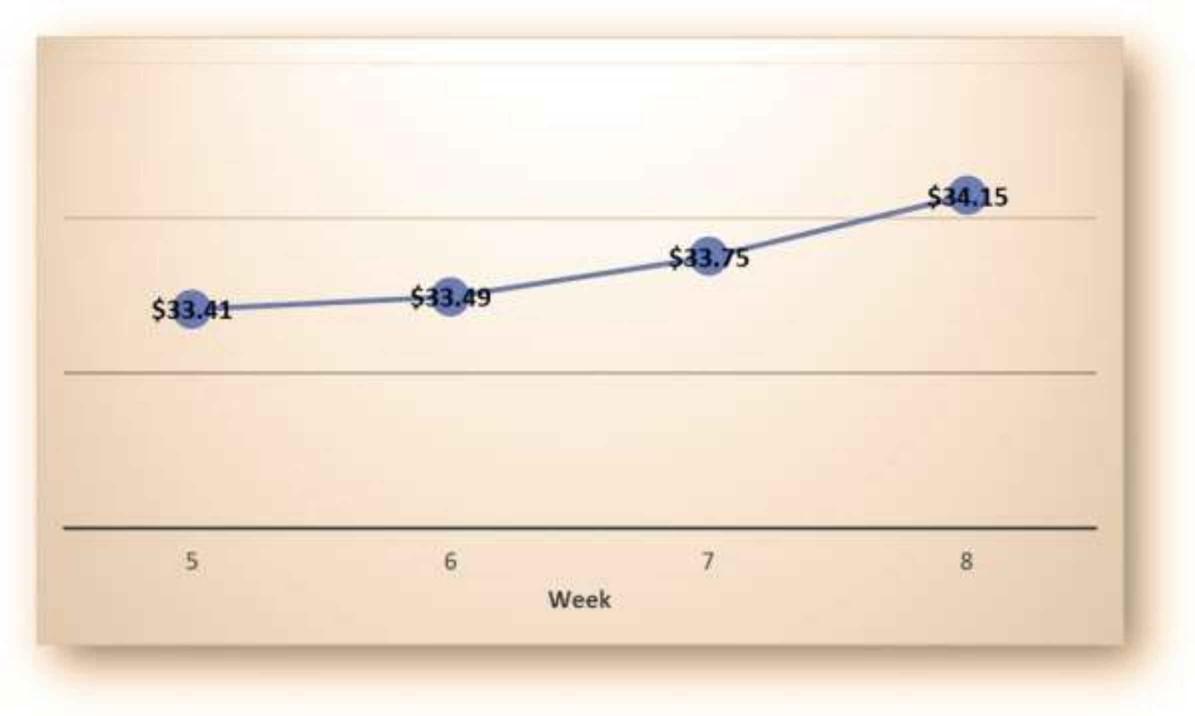
I've always been a fan of 72 count oranges. They are the perfect size for juggling. The big question is how much more will it cost to juggle with Organic oranges? Both organic and conventional have experienced inflation and like we saw with blueberries, organic FOB costs mirror conventional



Except for a few blips, the premium for organic navels have hovered around 60-80%, with a small trend upwards.

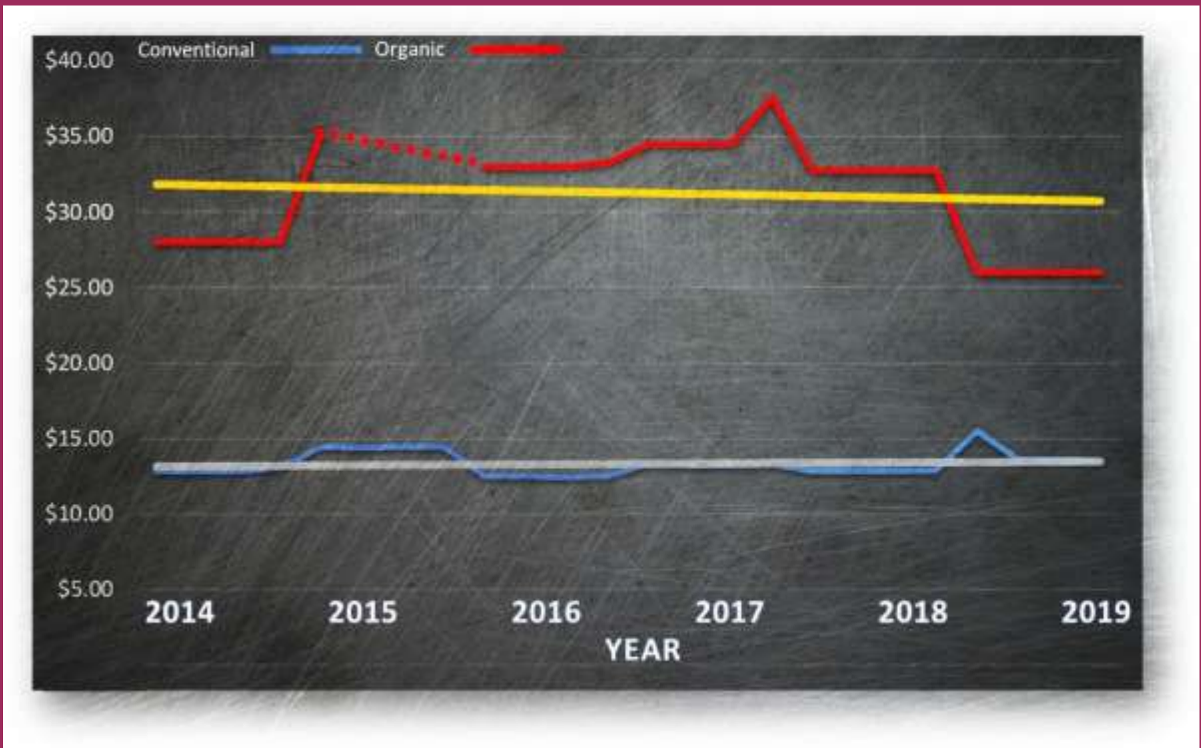


As you can see from the chart below, 72 count organic navel oranges are not exactly cheap. During February, we can expect to see costs in the $33 - $34 range. If you do plan to juggle organic oranges, do so with extreme care.

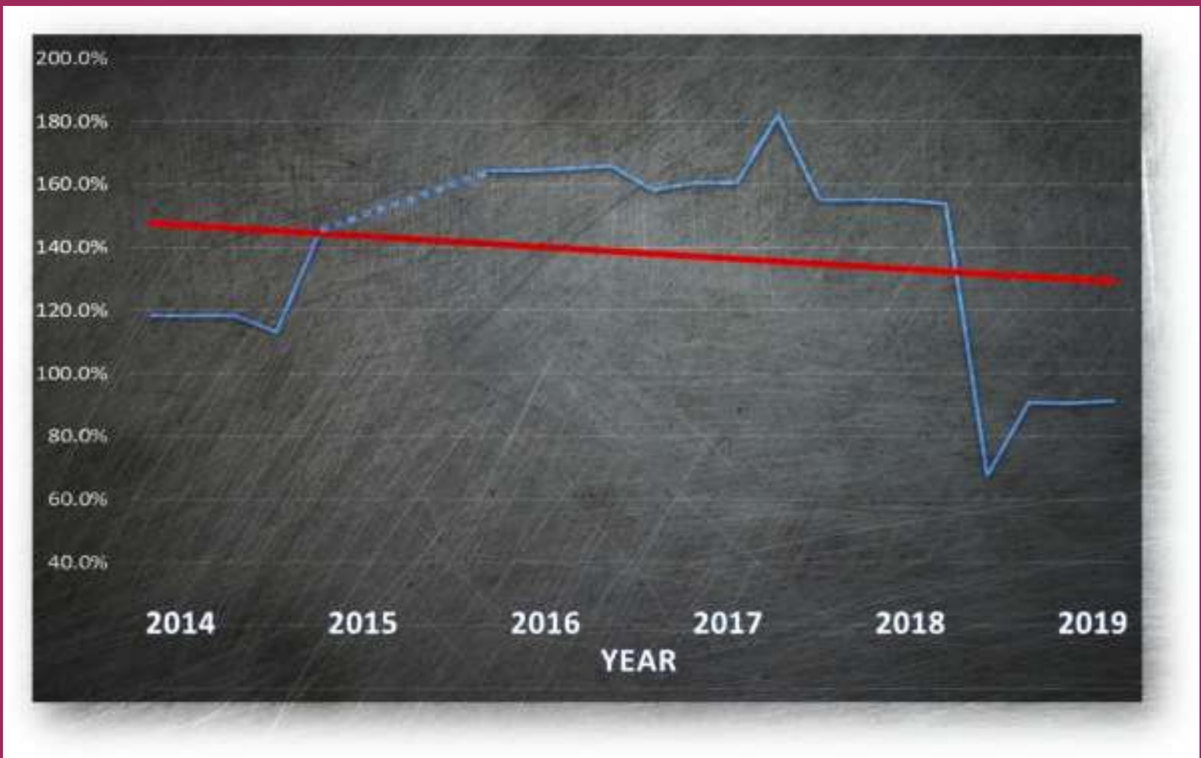


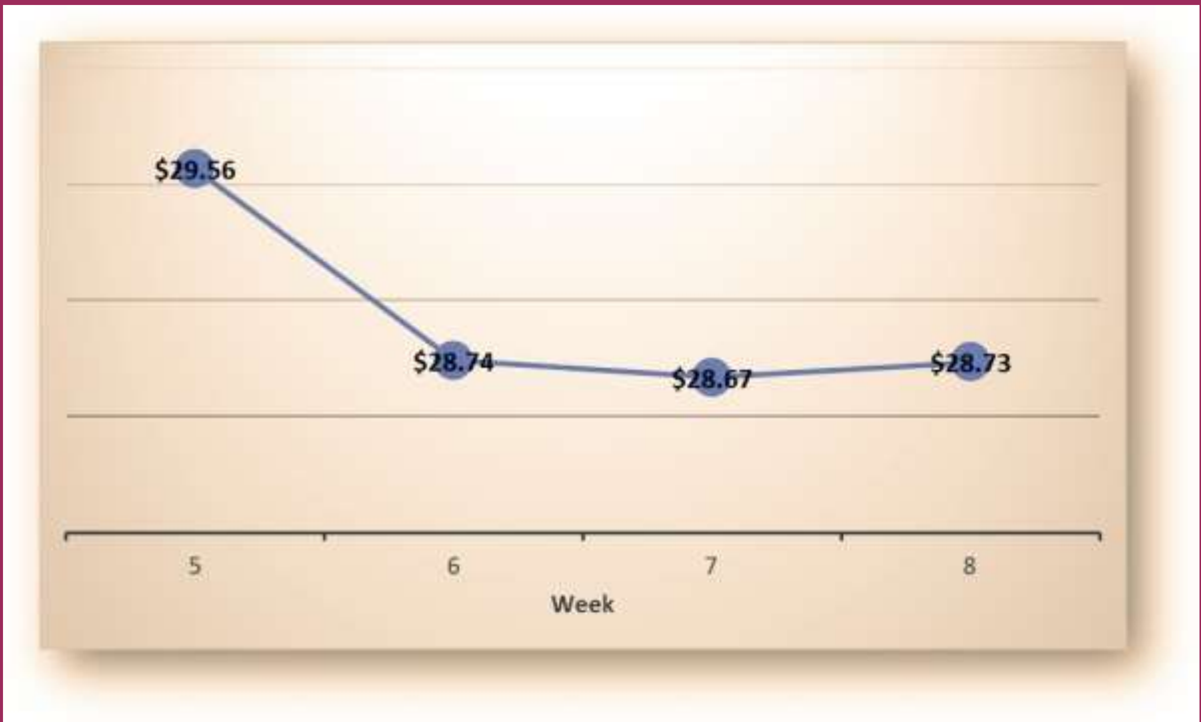
40 lb. Carton Sweet Potatoes

What more can be said about sweet potatoes that hasn't already been said. Other than they're not just for breakfast anymore. And when I say breakfast, I mean Thanksgiving. A couple takeaways from the chart below. Long term stability and significant organic premiums.



As mentioned, consistently high premiums. Most of the last six years organic sweet potatoes have been more than double the FOB cost of conventional.





If you like Produce Moneyball, you might also like the 2020 Produce Almanac, the most comprehensive, objective analysis of the produce markets available. Click the button to find out more.

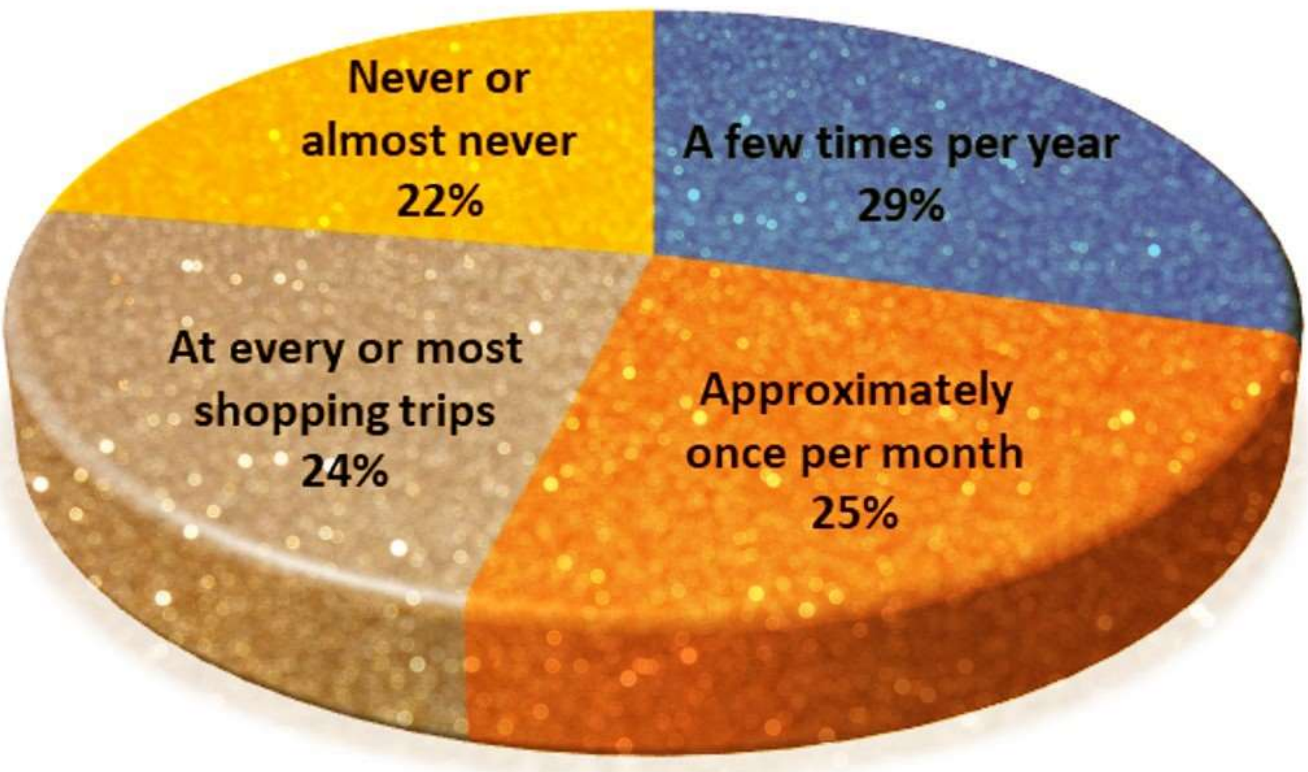
Produce Almanac

That's what she (and he) said

Where are we going with Organic produce? For those of you who have been around for a while, you will remember that there was a push into organics in the early '80's. This first foray was not too successful. Some pundits suggested it was because the growing capabilities were not advanced enough for commercial viability. Others said it was because the consumers didn't come along for the ride.

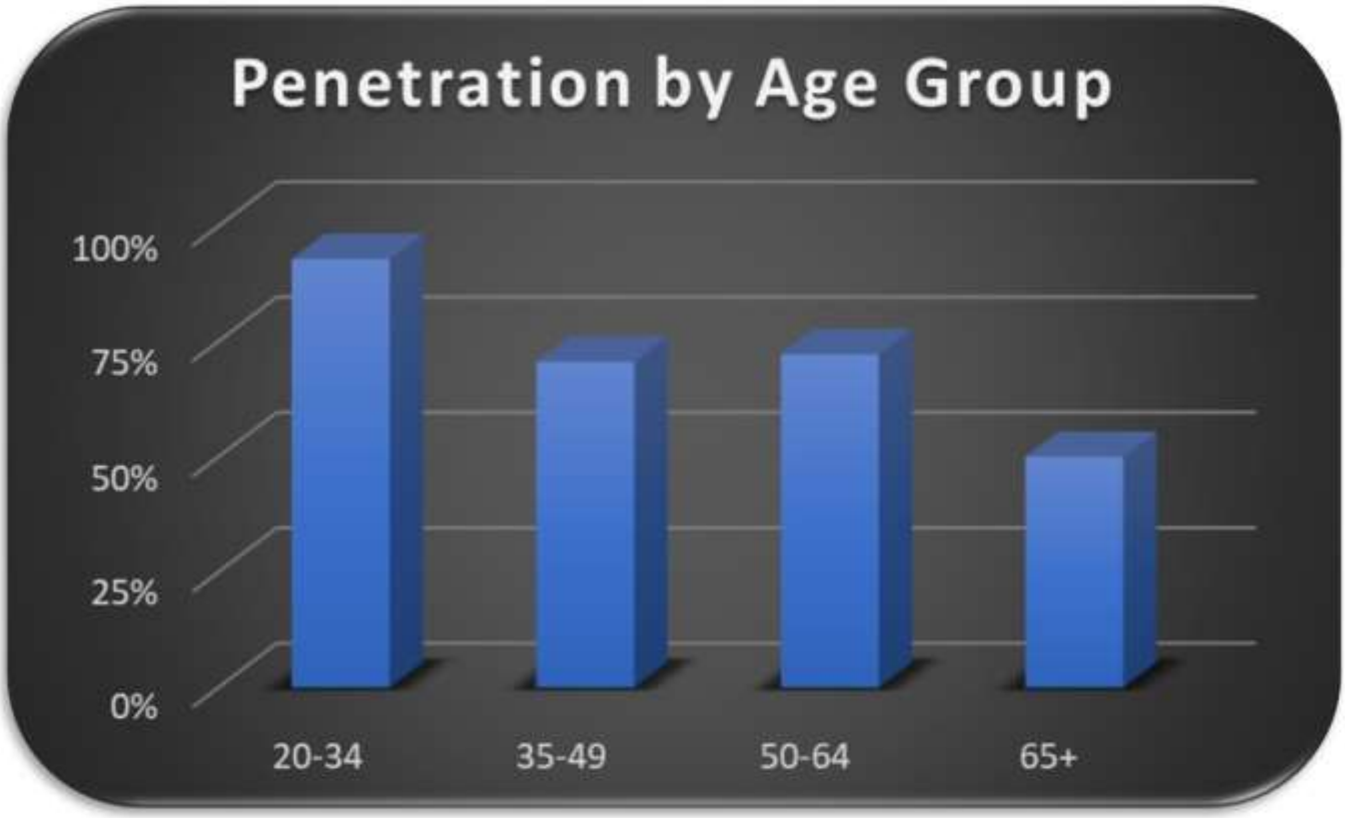
This time around, growing capabilities are vastly improved, but what do the consumers think? This month the Execulytics consumer panel weighs in.

Most people enjoy organics...from time to time



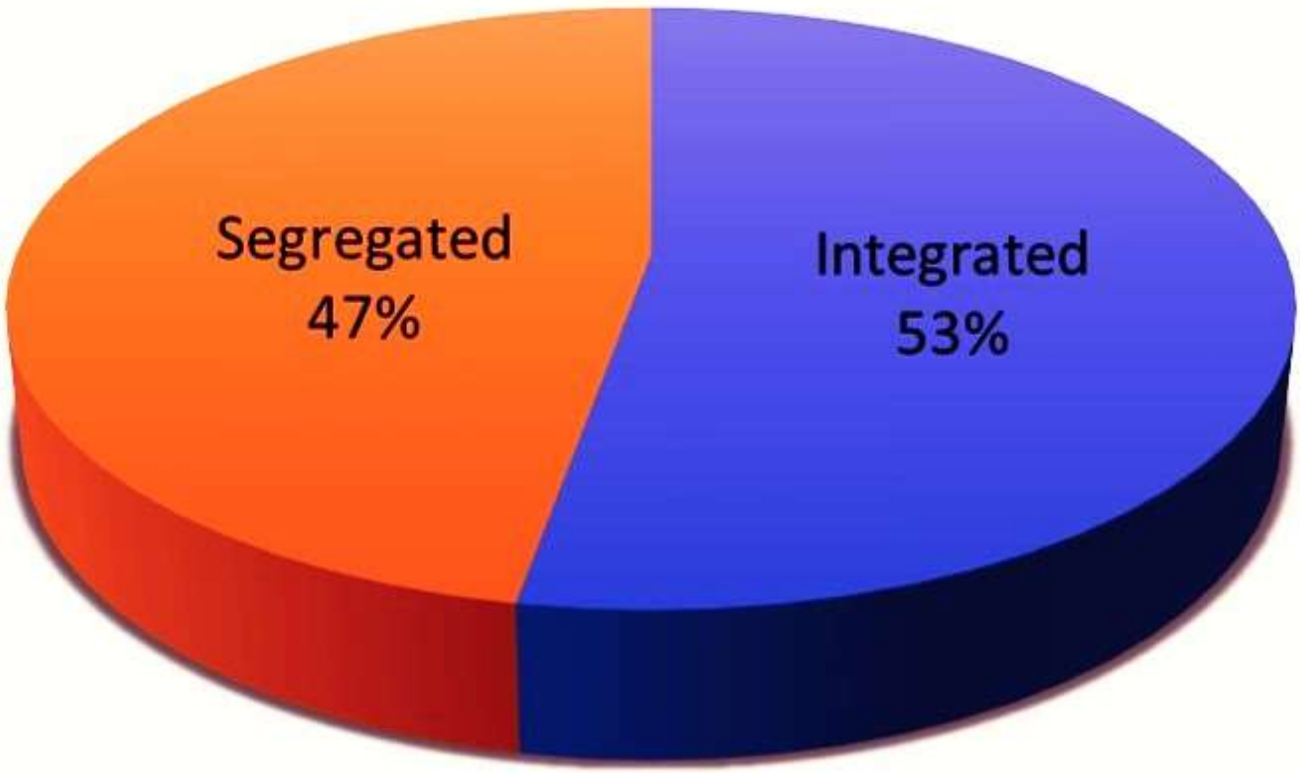
WHEN ASKED HOW OFTEN DO YOU PURCHASE FRESH ORGANIC FRUITS OR VEGETABLES

It used to be that there was a specific ***'organic'*** customer and it was assumed that this customer had a different and distinct outlook when compared to mainstream consumers. Today it appears that organic customers **ARE** mainstream consumers as nearly 4 out of 5 people claim to purchase organic produce and approximately half, do so at least once per month. This information should provide comfort for organic marketers. A big question remains though; ***'What's driving organics into the mainstream?'***

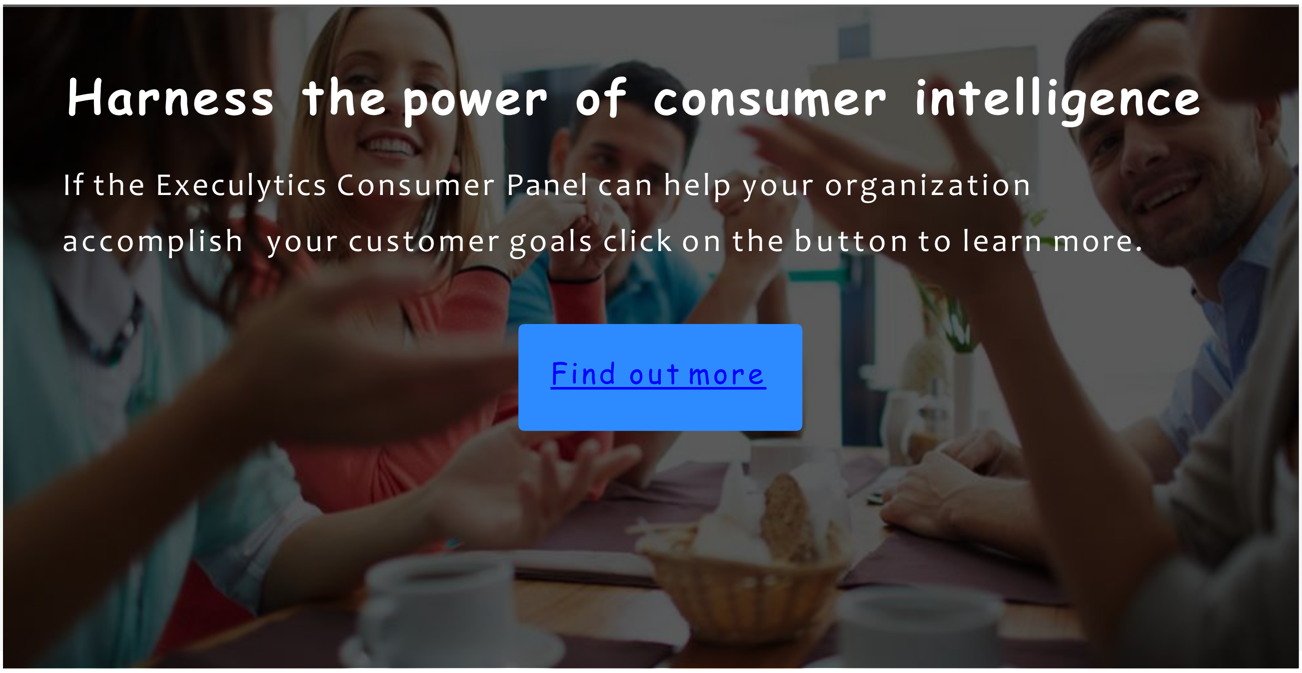


The answer to that question, at least in part appears to be a difference in shopping habits amongst the generations. You can see from the chart above that millennial customers (those between the ages of 20-34) are more inclined to make organic produce a part of their routine. And as consumers in the millennial generation continue to replace older consumers in the marketplace, it stands to reason that organic consumption will continue to rise for the foreseeable future. A burning question for another time is ***'Will Generation Z follow in the footsteps of their older millennial friends?'*** If we were to place bets, my money is on ***'Yes, they will'***.

Another interesting question is ***'What is the best way to sell organics to customers?'*** Do customers prefer to see organics intermingled with conventional? Or do they prefer a separate location so they can shop organics all in one place.



It looks like a pretty even split with only a slight preference for integrating organic produce into conventional sets. However, if you dive deeper into the data, it suggests that customers who purchase organics more frequently, prefer to see them segregated and those less frequently prefer them integrated. Perhaps those who have not yet fully committed to an organic lifestyle want to continue to be tempted by all that organics has to offer, while those more committed do not need to see conventional alternatives. This could be why we are seeing more **'organics only'** retailers in the marketplace. It might also suggest that if you are looking to increase a low organics penetration in your store, integrating the products may be your best bet.



Store Tours

There are many ways that organic produce is sold. By looking at different stores we will see organics integrated with conventional in some and separated in others. We will see large assortments and small. We'll even see marked differences in pricing. This month we review the different ways that organic produce is sold in North America's produce departments.

Ontario

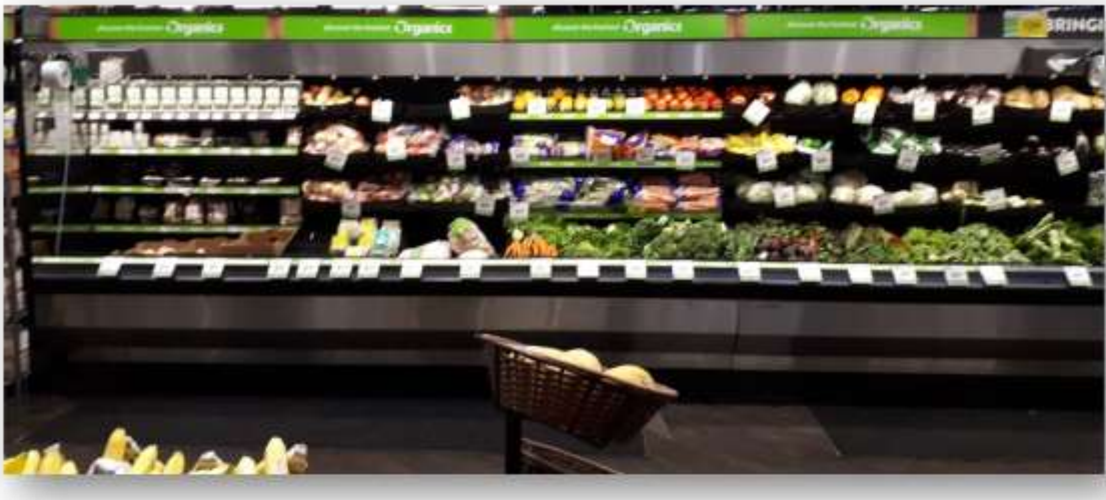
Everywhere you look...Organics

If you look close enough you will find organics sold many different ways at different retailers across Ontario. Above left is a Real Canadian Superstore selling bagged potatoes, next to the inline potato display. A placement strategy I refer to as partially integrated. Above right is a new organic root vegetable assortment in Sobeys. Included in the assortment are trays of red and gold beets plus nantes carrots. In this store, the new product category is proudly displayed on an endcap.

Meanwhile, the picture to the right is from a Walmart store. Packed, overflowing in a bin at the front of the store are a variety of premium organic apples. 2 lb. Organic Jazz and Organic Envy apples greet each customer as they walk the center aisle of the store.

In each example of Ontario organic merchandising, the product is out front for the customer. Clearly, hiding organics is not a winning strategy.

Western Canada



...meanwhile in the West

Organic produce has a section all of its own. At least for product requiring refrigeration. And no one can suggest that the SaveOn store above or the Sobey's store on the left, both in Alberta, are skimping on organic assortment. Both stores have devoted a significant amount of space to the category. In the debate between segregating or integrating organics, it appears, at least in Western Canada, segregating has gained a foothold.

Arizona

Taking a break from Organics

Something happened while we were searching for organic merchandising in Arizona. Something else caught our eye. In this Walmart we saw things we expected and things we didn't. What we expected was lots of low price messaging and the low prices to back it up. Unexpected was the assortment of fresh cut vegetables available for sale. By the way, they were at low prices too.

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