

NATIONAL POST

Rise Of The Organic Alternative

Health Concern; Canada market grew 28% from 2005 to 2006



Shaughn Butts, Canwest News Service Planet Organic's CFO of corporate development, Darren Krissie, displays some of the store's fresh produce. The chain now has sales of \$60-million, up from \$1.6-million in its first year.

Organic food, once the sole domain of farmers' markets and small health-food stores, is going increasingly mainstream as the aisles of large chain supermarkets fill with organic produce, groceries and convenience foods.

Organic shoppers have also changed, growing beyond a loyal core of Earth mothers to a wider base of soccer moms.

Almost 75% of Canadians have tried some kind of organic product, says Rosalie Cunningham, an Alberta Agriculture researcher who wrote a report on organics last year. Of those, 18% were frequent buyers, 22% were occasional buyers and 31% were "dabblers" who bought the odd organic product.

"Availability and demand feed off each other," Ms. Cunningham says.

"Consumers were demanding more of it and once we got more availability in our mainstream stores, the number of frequent purchasers goes up because now they can find it."

The organic food market in Canada grew 28% from 2005 to 2006, a huge increase compared with the usual 2% to 4% growth in other groceries.

Most of the big grocery chains, including Loblaws/ Superstore, Save-On, Sobeys and Safeway, now sell their own organic brands and carry organic produce. Shoppers Drug Mart has also come up with a new line of organic foods.

"I think it's a way for them to differentiate themselves, and that growth rate is very attractive," Ms. Cunningham says.

Organic food still makes up only about 1% of all groceries sold in Canada, but that share is increasing each year.

Planet Organic, a chain of organic food stores that started with a single store in Edmonton eight years ago, has seen its sales grow from \$1.6-million in its first year to \$60-million across its nine stores now, says Scott Bladon, Planet Organic's corporate management co-ordinator. The Edmonton store will more than double in size this summer and will expand its product line, adding more convenience foods and larger deli and produce sections.

Mr. Bladon says his company welcomes the growing competition from major grocery chains because it increases the profile of organic food, creating an even larger market. "They see what the consumer's demanding -- good, healthy products. It's not a bad thing. It brings the awareness to all of us and it gives us choice."

Besides, Planet Organic customers are a slightly different breed than shoppers who might pick up an organic product at a big grocery chain, Mr. Bladon says. They're buying into a specialty shop experience-- an attractive store, a wide choice of organic products and knowledgeable staff. "There's no fumbling around in our produce department. Everything you see is certified organic or transitional organic [in the process of becoming certified]."

Loblaws was the first big grocery chain to introduce a line of organic products back in 2001. The PC Organics line debuted with 25 products and now has about 350, with almost 400 items expected to be available by early 2009, says Paul Uys, vice-president of control brands for Loblaw Brands Ltd.

Those first few products were extremely popular but they appealed largely to the seriously health-conscious consumer. Interest in the brand levelled off for a while, but in the past two years, it has again seen double-digit growth as more supermarkets have begun carrying organic lines, Mr. Uys says.

"Nothing begets success like success," he adds. "As the whole range of products and the momentum has grown, the consumer base has become just the regular consumer. There are very few [customers] who aren't buying some kind of organic."

Shoppers are willing to pay a premium of about 25% for organic products, according to Ms. Cunningham's report. And while organic buyers are not much different demographically from the average grocery buyer, they are more likely to be university-educated, female, younger than 55, have children at home and have household incomes of more than \$80,000 a year.