Grown by Nature

Opportunities for New Zealand organic products

August 2020



Ministry for Primary Industries
Manatū Ahu Matua

ECONOMIC INTELLIGENCE UNIT

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Note:

This presentation reflects the findings from a series of consumer panel surveys conducted in August 2020. Several markets surveyed were affected by the COVID-19 pandemic which may impact on the results. This presentation and the findings do not reflect Government policy.

APPROACH

Research aims to support policy makers and the industry



Research objectives

- To gain a better understanding of the domestic and international markets for organic food/drink.
- To support policy makers and assist the New Zealand organic industry.



Market dynamics

- Secondary research with information from open source literature/data
- To understand the organic markets (size, opportunity, etc.)



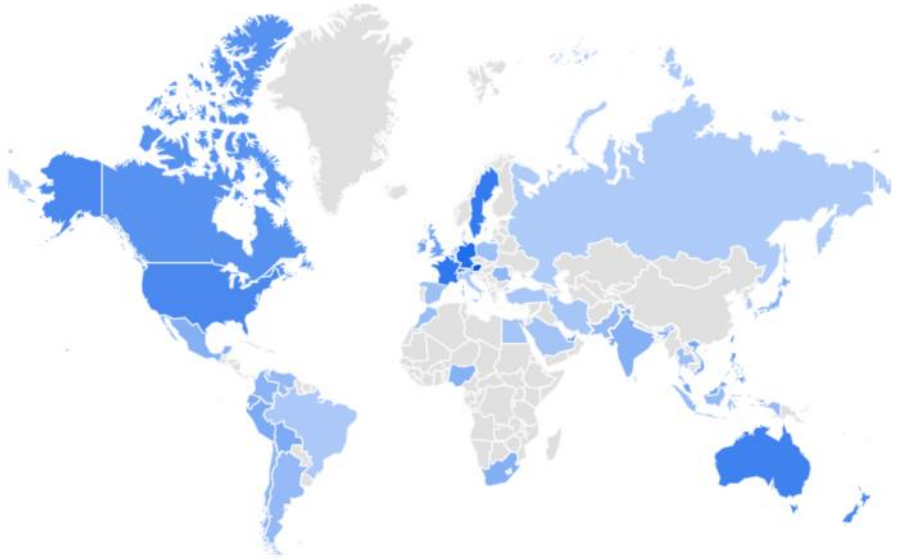
Survey

- Consumer surveys across 7 markets.

CONSUMER INTEREST

Organic food enjoys a high level of interest from consumers

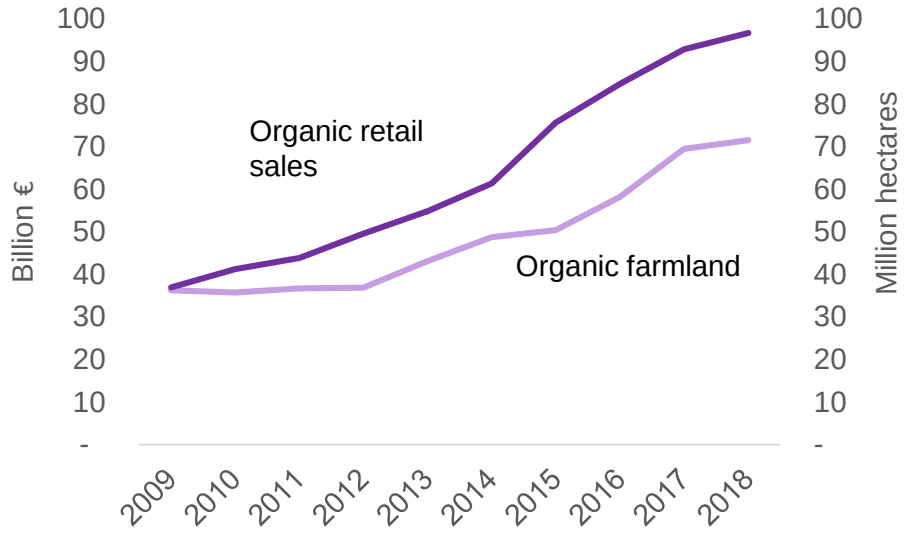
Google search for the topic ‘organic food’



Source: Google Trend (2020)

- *However, global search interest in organic food is concentrated in developed countries such as the US and the EU.*
- *New Zealand is among the top 10 countries for volume of total searches for ‘Organic Food’ as a topic.*

Global organic sales and farmland have increased significantly



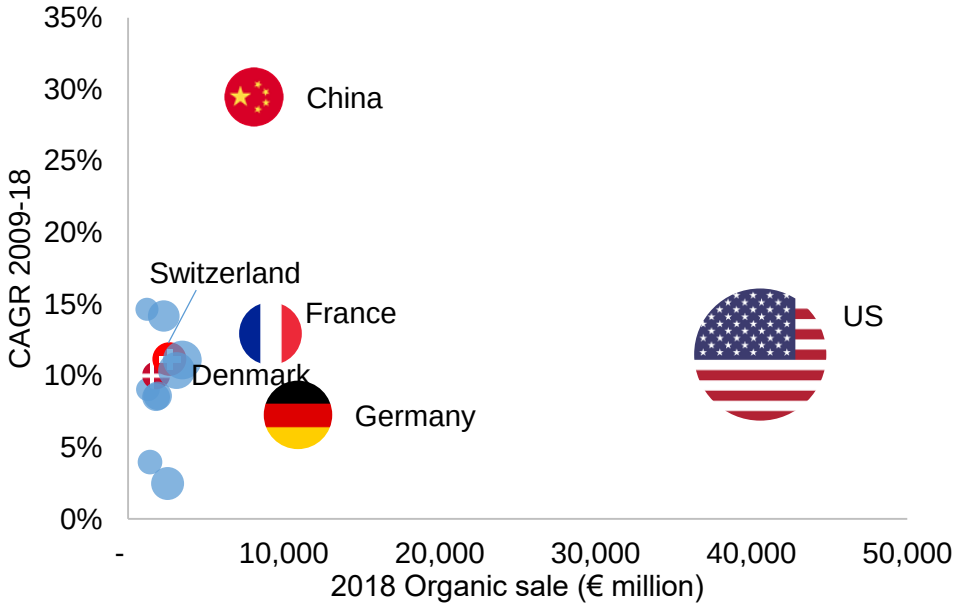
Source: FiBL (2020)

- *The global organic retail market was worth € 96.6 billion in 2018.*
- *The global total area for organic farmland has doubled. Australia accounts for nearly half of the global organic farmland.*

GLOBAL MARKET

The global organic market concentrates in three countries.

63% of the market value is in US, Germany and France.



Source: FiBL (2020)

- *China is one of the fastest growing market with 29% CAGR between 2009 and 2018.*

However, organic consumption per capita is highest in Denmark



Source: FiBL (2020)

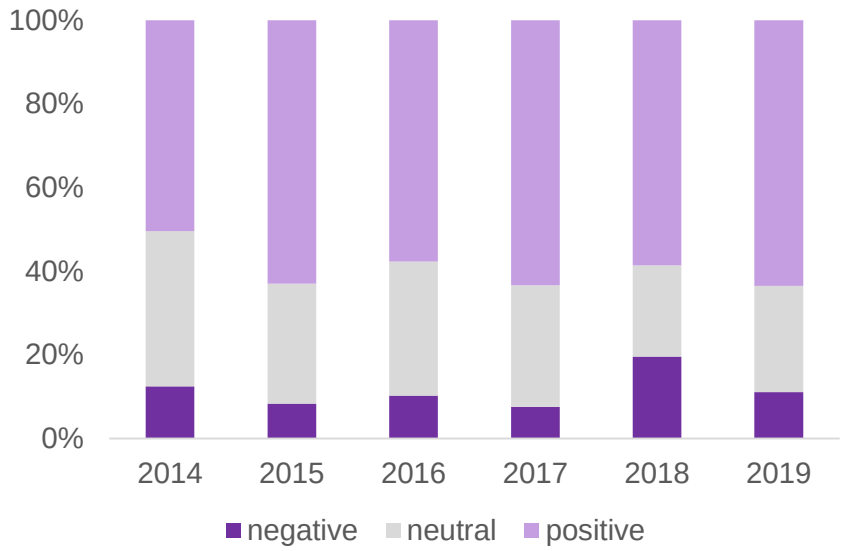
- *The US, the largest market for organic products, is ranked 9th globally in terms of organic spending per capita.*

Compound annual growth rate (CAGR) is the annual growth rate over a given time period.

MARKET PERCEPTION

Organic food enjoys favourable coverage in media and retail price premiums

Media sentiment is largely positive



Source: Quid (2020)

- *Many stories covered perceived health benefits of organic food and the organic movement.*

2019 retail price for selected fresh produce in the US ($US)

	Unit	Organic	Non-organic	Premium
Apples	per kg	$4.6	$3.1	50%
Apricots	per kg	$7.9	$6.4	23%
Avocados	each	$1.7	$1.3	34%
Blueberries	per kg	$7.5	$5.6	34%
Green kiwifruit	each	$0.7	$0.4	64%
Pear	per kg	$4.1	$3.1	33%
Milk	per litre	$2.1	$1.1	94%

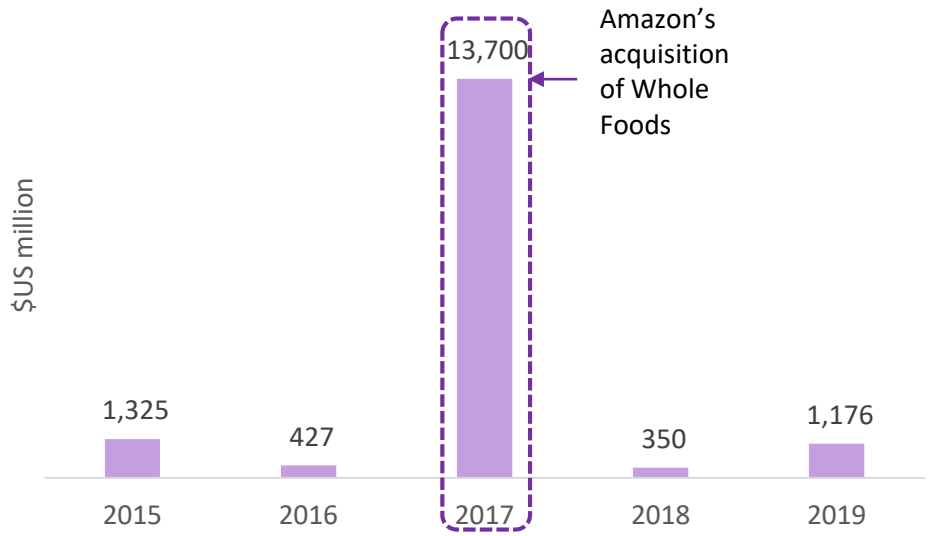
Source: USDA, MPI (2020)

- *Price premiums exist for nearly all organic fresh fruit and vegetable in the US markets.*
- *The size of the premium varies across different products.*

MARKET MOVEMENT

However, the market is increasingly consolidated with mergers and acquisitions

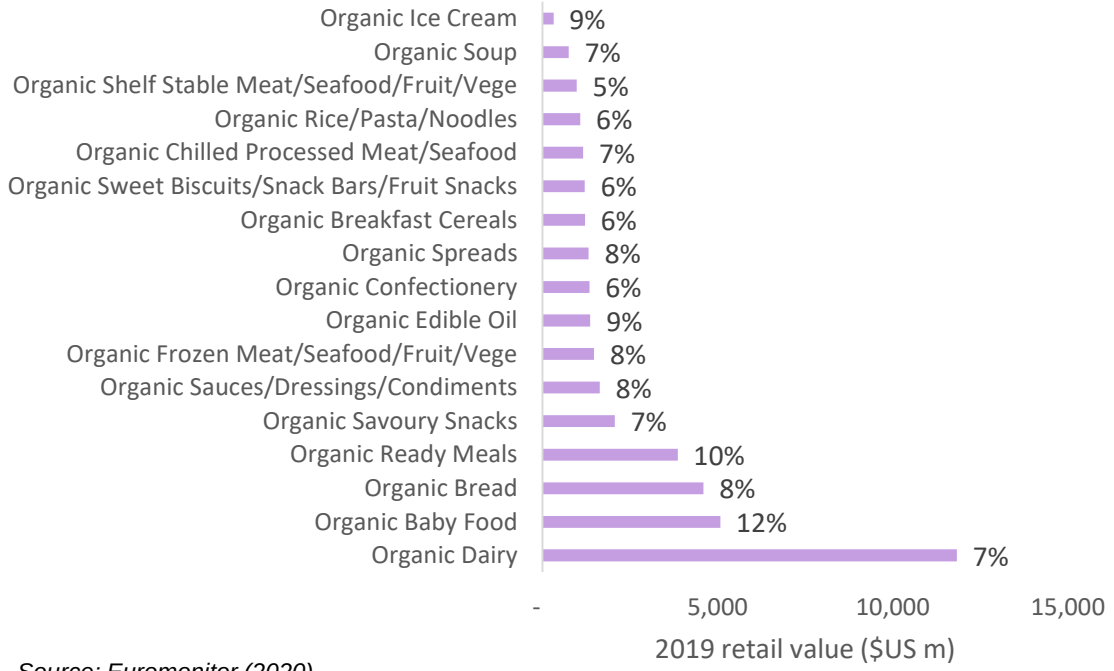
Billions of dollars has been spent on mergers and acquisitions in the organic food and drink market



Source: Crunchbase (2020)

- *One of the largest transactions was the Amazon's acquisition of Whole Foods for $US 13.7 billion.*

Global retail market value by product categories and forecasted CAGR 2019-2024*



Source: Euromonitor (2020)

- *Organic dairy has the largest market value in the organic packaged food market, but organic baby food is forecast to have the fastest growth in the next 4-5 years.*

MARKET EVALUATION

New Zealand organic enjoys positive consumer perception but high production cost is one of the weaknesses

Strengths	Weaknesses
• Proximity to one of the fastest growing organic markets (China) • A strong biosecurity system which prevents many diseases and pests for organic farming • Positive consumer perceptions of New Zealand's produce • New Zealand's Official Organic Assurance Programme is recognised as equivalent to the organic standards in several markets	• High production costs compared with conventional food and other countries. • Distance to some of the largest organic markets (US, EU) • Uneven development of production by regions and by commodity.
Opportunities	**Threats**
• Strong demand for organic food and drink • Consumer interest in perceived health and environmental benefits of organic food • Price premium for organic products • Strong growth in sales of organic food and drink through e-commerce and home delivery in key markets	• Increasing competition from low-cost producers. • Increasing competition from non-regulated labels and claims (e.g., free-range) • COVID-19 and economic downturn can impact consumer purchasing power and organic consumption • Trade agreement and complexity in organic regulation in export markets. • Climate changes can impact production

Source: MPI (2020)

CONSUMER SURVEY

Survey consumers in 7 key markets to identify consumer purchasing behaviour and preferences



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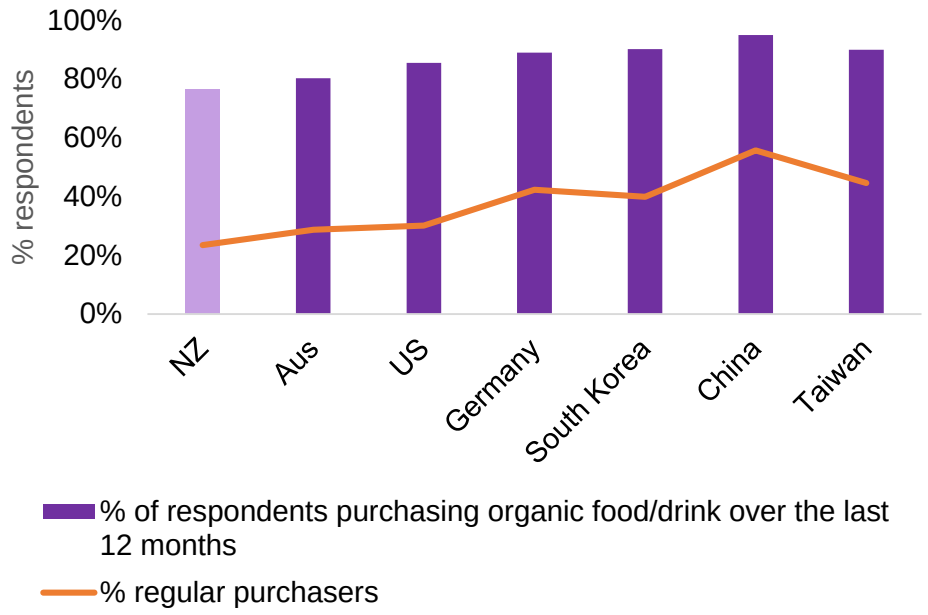
Survey

- Identify markets through scanning information and consulting with the industry.
- Consumer surveys across 7 markets- New Zealand, Australia, the US, Germany, South Korea, China & Taiwan.

CONSUMER PROFILE

A majority of respondents purchased organic food/drink but the number of regular purchasers was smaller

Frequency of organic food/drink purchases over the last 12 months by market



Source: EIU Consumer Survey (2020)

- *3 in 4 New Zealand respondents purchased organic food/drink over the last 12 months.*
- *Chinese respondents were the most regular purchasers of organic food/drink, followed by Taiwanese.*

A regular purchaser is someone who purchase organic food or drink at least weekly

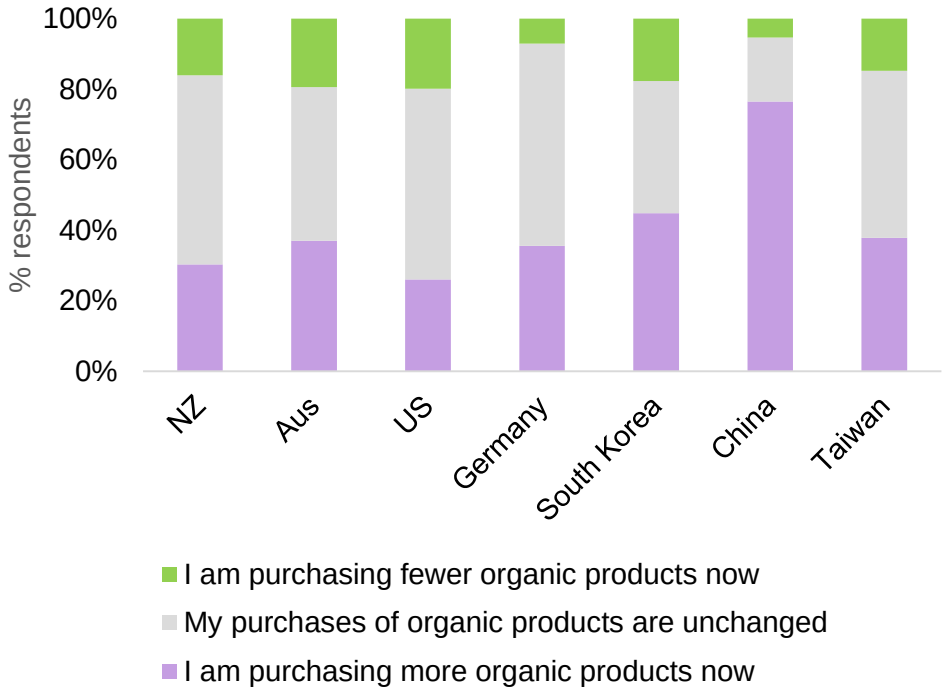
Regular organic purchasers are likely to be

Age	• Under 44 except in the US (45-60 age group)
Sex	• Female in the US and Germany • Male in China and Taiwan
Income	• Middle income
Job	• Have a professional job
Region	• For New Zealand, likely to live in Auckland, Canterbury, and Wellington regions

COVID-19 IMPACTS

Respondents purchased more organic products during the pandemic.

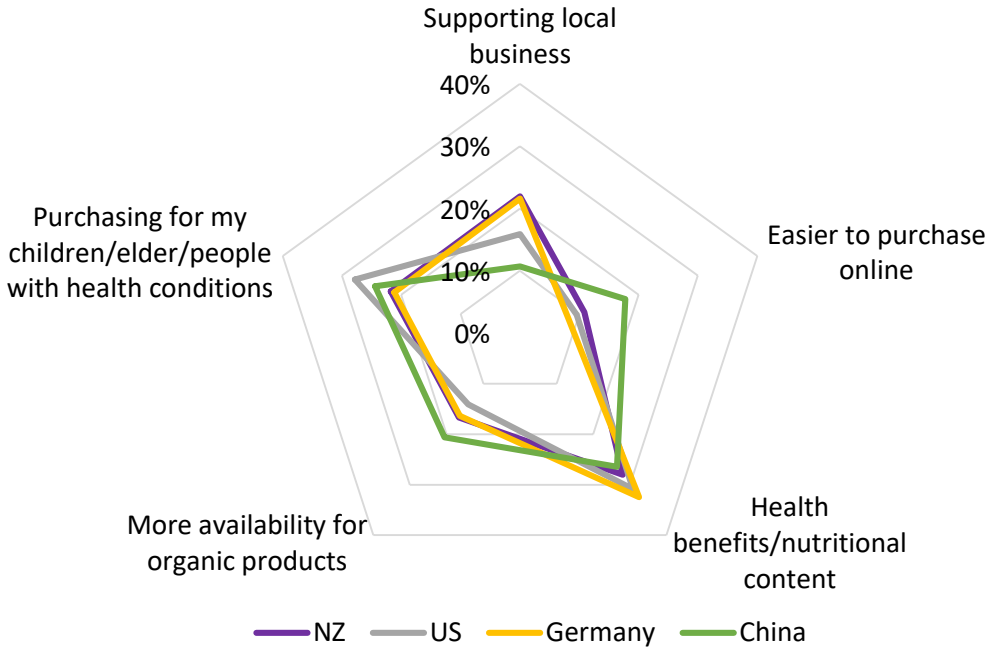
Current purchasing of organic food/drink compared to before the COVID 19 period by market



Source: EIU Consumer Survey (2020)

- *Consistent trend across surveyed markets, with many respondents increasing their organic purchase after the pandemic.*

Main reasons for the increase in organic food/drink purchasing (% responses)



Source: EIU Consumer Survey (2020)

- *Perceived health benefits and purchasing for vulnerable family members were two common reasons driving purchasing behaviour.*

BARRIERS TO PURCHASE

Price was the largest barrier for respondents who do not purchase organic products

Main barriers to buying organic food/drink by market (% respondents)

	New Zealand	Australia	US	Germany	South Korea	China	Taiwan
Do not know where to buy them	6%	8%	2%	5%	17%	14%	9%
Not conveniently available	11%	10%	11%	1%	18%	8%	14%
Not familiar with the brands	24%	20%	21%	14%	18%	20%	27%
Not a wide variety of products	11%	9%	9%	6%	7%	14%	17%
Do not trust the organic claim	21%	31%	25%	21%	21%	8%	21%
Do not like the appearance	4%	7%	4%	3%	7%	8%	1%
Too expensive	77%	80%	76%	78%	47%	53%	52%
Lack of information about organic products	15%	17%	19%	10%	22%	29%	22%

Highest barrier

Lowest barrier

Source: EIU Consumer Survey (2020)

- *Lack of trust, familiarity, and information were other key barriers in the surveyed markets*
- *Respondents indicated that lower price and better education may change their opinion to buy organic food/drink.*

DRIVERS FOR PURCHASE

Personal health was a leading driver for organic purchasing in New Zealand and in export markets

The most important attributes when purchasing organic product by market

Ranking	New Zealand	Australia	US	Germany	South Korea	China	Taiwan
1st	Free from residues / spray free	Good for my health	Free from residues / spray free	Free from residues / spray free	Good for my health	Good for my health	Good for my health
2nd	Good for my health	Natural	Good for my health	Animal welfare	Good for the environment	Free from residues / spray free	Free from residues / spray free
3rd	Natural	Free from residues / spray free	Natural	Natural	Free from residues / spray free	Natural	Safely produced
4th	Good for the environment	Good for the environment	Safely produced	Good for the environment	Natural	Good for the environment	Natural
5th	Animal welfare	Animal welfare	Good for the environment	Good for my health	Safely produced	Safely produced	Good for the environment

Source: EIU Consumer Survey (2020)

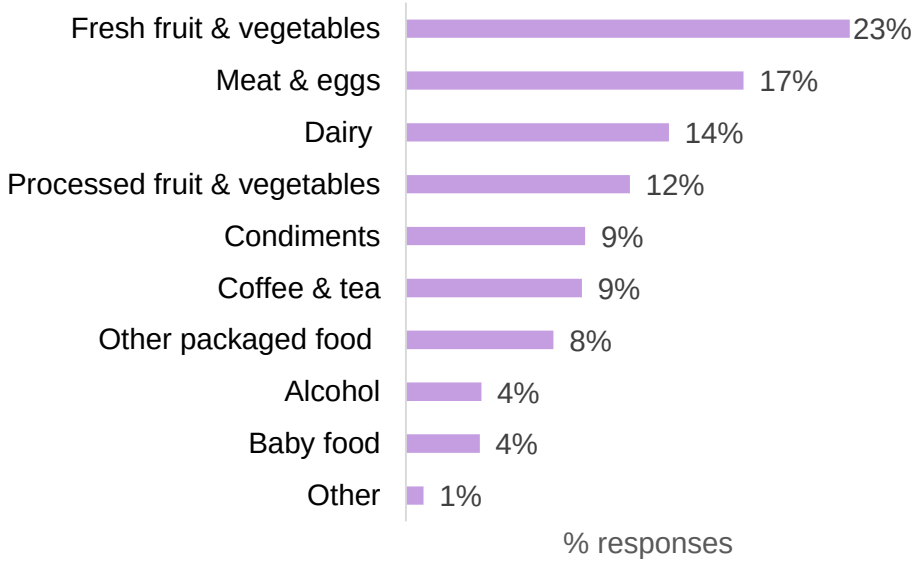
- *Perceived health benefits were the leading product attribute for respondents in Asian markets.*
- *Animal welfare was considered important for respondents in Germany, New Zealand and Australia.*

PURCHASING BEHAVIOUR

Fresh fruit and vegetables were the most common choice; supermarkets were the dominant purchasing channel

The main types of organic food/drink purchase

New Zealand market



Source: EIU Consumer Survey (2020)

- *Respondents in all markets indicated they would purchase more of the leading three types of organics products, if they could.*

Place of purchase for organic food/drink by market (% responses)

	NZ	Aus	US	Germany	South Korea	China	Taiwan
Supermarkets	46%	46%	46%	41%	28%	22%	28%
Specialised organic stores	16%	19%	15%	19%	22%	22%	20%
Direct sales from producers/farmers	12%	12%	11%	16%	12%	13%	12%
Wet markets/farmers markets	17%	14%	17%	18%	19%	23%	29%
E-commerce	8%	9%	10%	5%	19%	20%	11%
Other	1%	1%	1%	1%	1%	0%	1%

Most common

Least common

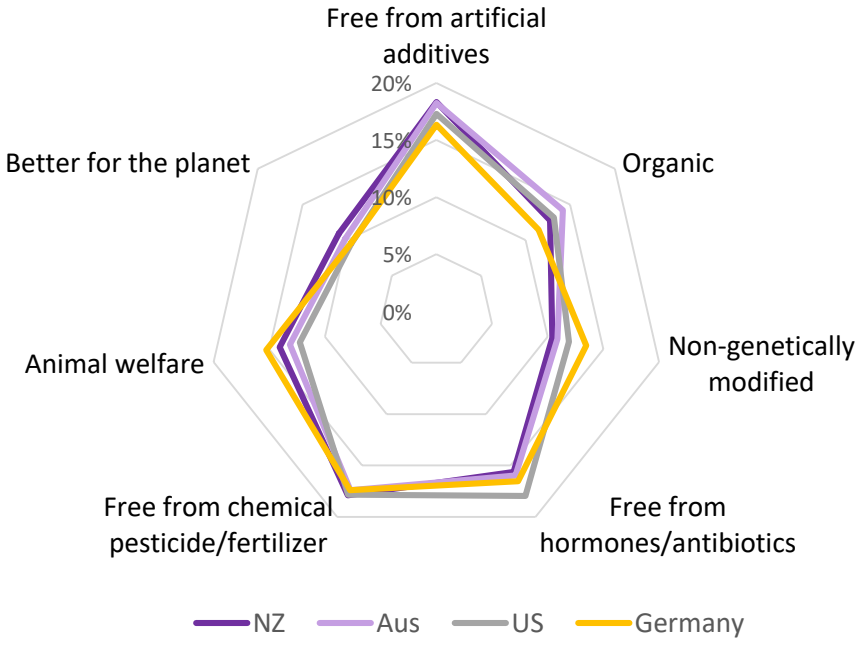
Source: EIU Consumer Survey (2020)

- *Supermarkets remain the dominant retail channel in New Zealand, Australia, the US, and Germany, while there is greater diversity in purchasing channels across Asian markets.*
- *E-commerce is a significant channel in South Korea and China.*

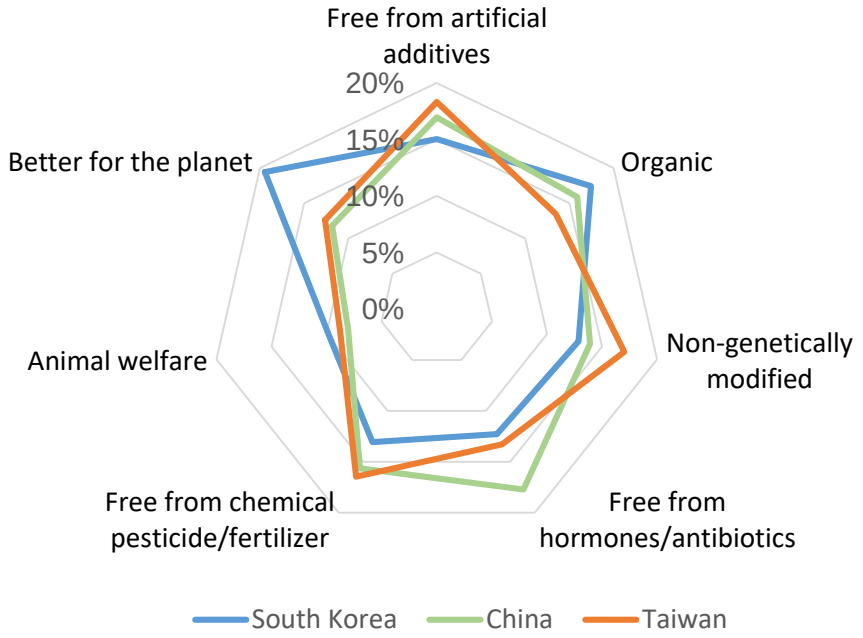
PRODUCT CLAIMS

The profile for Asian market respondents was different to other markets.

What are the most important product claims when purchasing food and drink? (% responses)



Source: EIU Consumer Survey (2020)



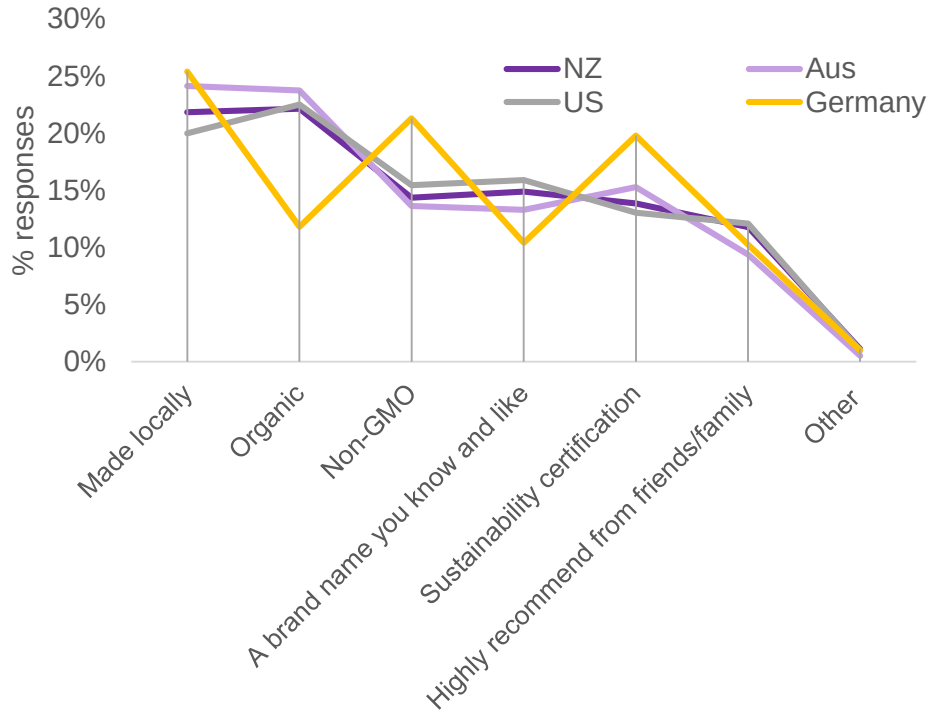
Source: EIU Consumer Survey (2020)

- *Compared with other product claims, an organic claim by itself did not rank highly in consumers' minds.*
- *'Free from' claims ranked highly for respondents in developed markets.*

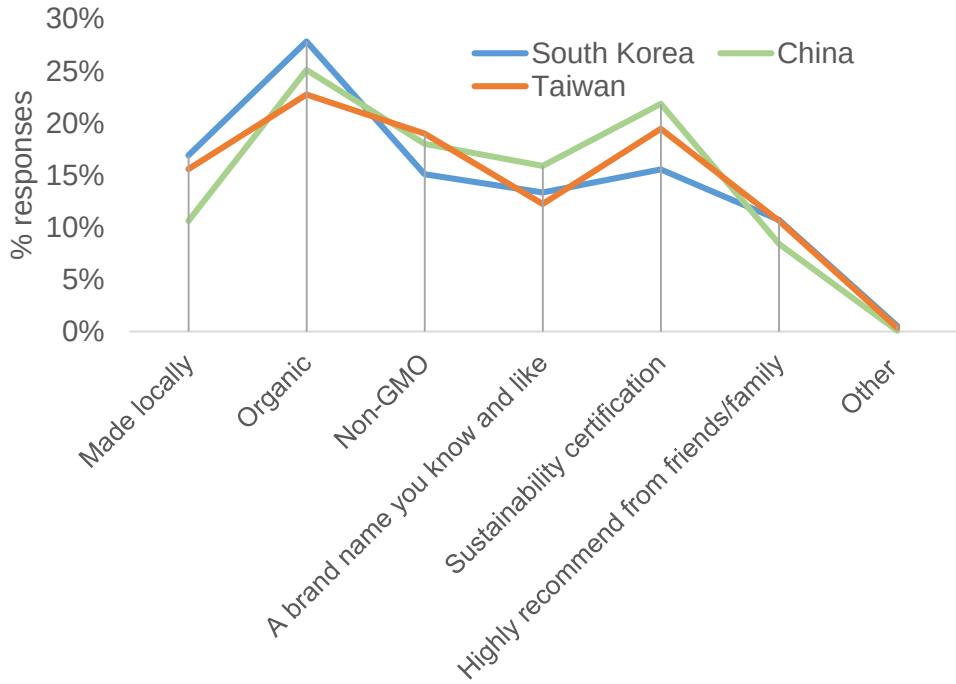
PREMIUMS

An organic attribute is likely to command a price premium in most markets relative to other attributes

Consider the following scenario, you are shopping for a food product that costs $US5. You see an alternative that costs $US6. Which of the following attributes would you be willing to pay the extra for?



Source: EIU Consumer Survey (2020)



Source: EIU Consumer Survey (2020)

- *All most respondents were willing to pay a premium for organic relative to other product attributes, except German respondents.*
- *A 'Buy local' trend can be observed in the New Zealand, Australia, US, and German markets while Asian respondents were more likely to support sustainability attributes.*

CONSUMER AWARENESS

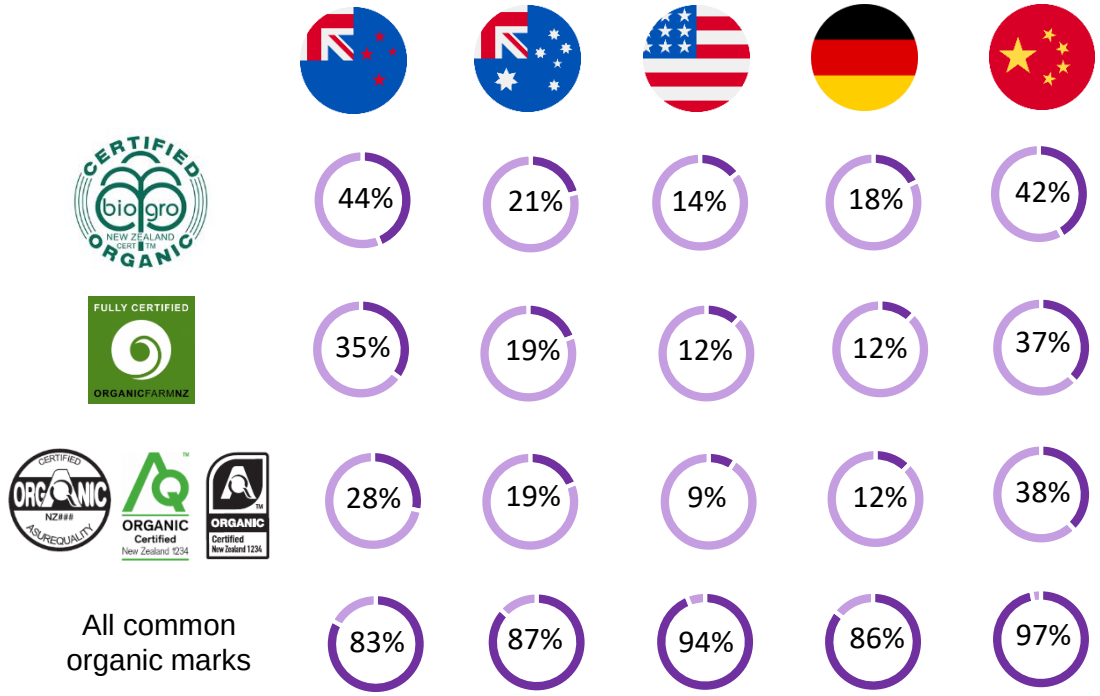
Labels and packaging are important for consumers to identify if a product is organic

How do shoppers know that the food/drink is organic

- An organic certification mark
- The word ‘certified organic’
- The word ‘organic’ (US, GER, SK)
- Organic stores/section (CN & TW)
- Brand identification (NZ & AU)

Source: EIU Consumer Survey (2020)

Recognition of common organic marks (% respondents)?



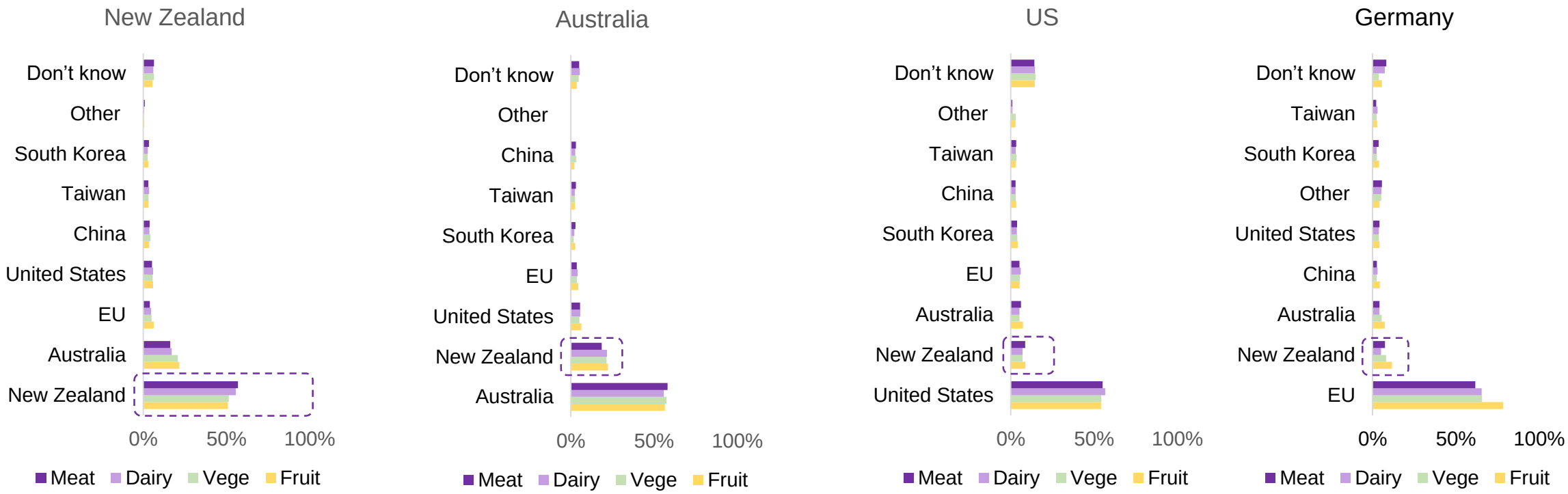
Source: EIU Consumer Survey (2020)

- *The presence of a certification mark and the certification scheme are key to consumer awareness.*
- *The majority of respondents recognise common organic marks, particularly marks from their region/country.*

MARKET PENETRATION

Local organic products were the first choice for many respondents across surveyed markets

Thinking about the organic fresh or processed food you buy, which markets do they come from? (% of responses)



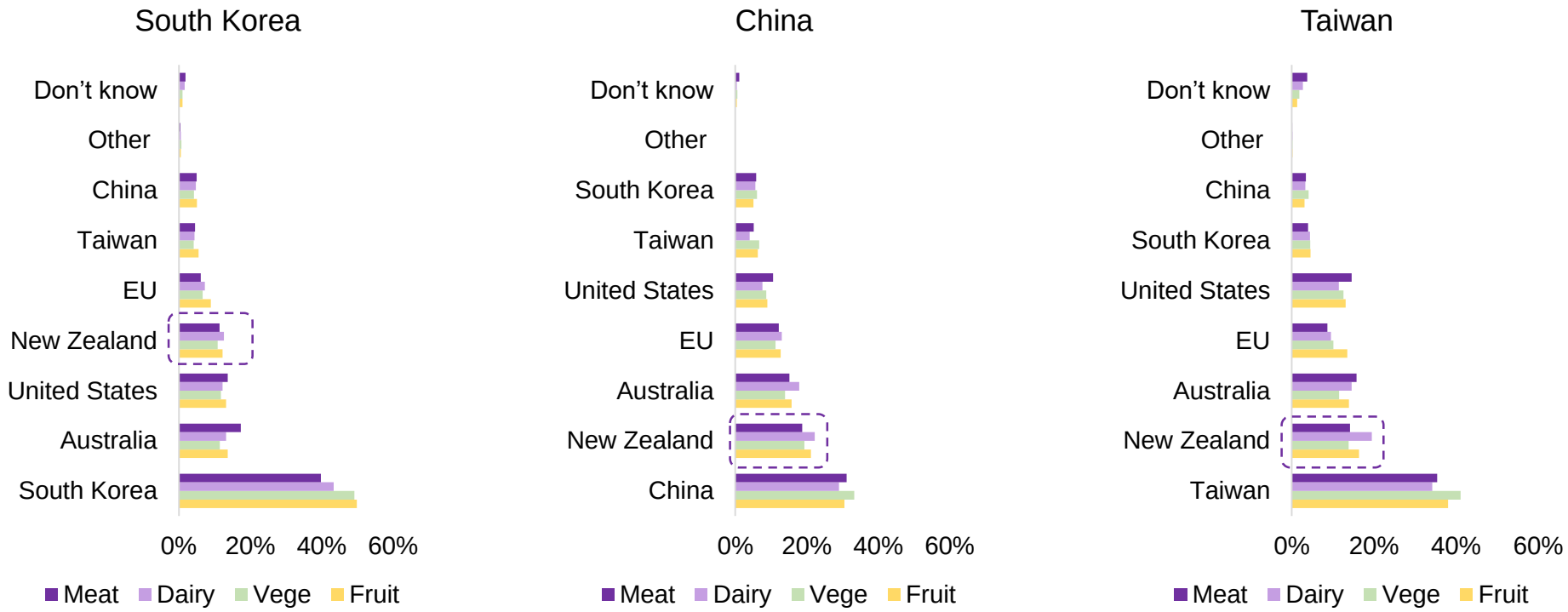
Source: EIU Consumer Survey (2020)

- *New Zealand organic products ranked consistently high as a consumer choice among developed markets.*

MARKET PENETRATION (CONT.)

New Zealand organic products had reasonable presence in overseas markets

Thinking about the organic fresh or processed fruit you buy, which markets do they come from? (% of responses)



Source: EIU Consumer Survey (2020)

- *New Zealand organic products had a strong position in Chinese and Taiwanese markets after the local produce.*

NEW ZEALAND PRODUCE

Most respondents rated New Zealand organic produce highly, particularly in the Chinese market

Respondents' net agreement on statements on New Zealand organic produce by market

	NZ	AUS	US	GER	SK	CN	TW
New Zealand is a leading supplier of **fresh** organic produce	71%	60%	22%	32%	52%	83%	55%
New Zealand is a leading supplier of **tasty** organic produce	69%	61%	20%	36%	48%	77%	50%
New Zealand is a leading supplier of **expensive** organic produce	53%	38%	18%	28%	28%	74%	32%
New Zealand is a leading supplier of **healthy/ nutritious** organic produce	70%	64%	25%	34%	51%	83%	58%
New Zealand is a leading supplier of **high-quality** organic produce	74%	64%	25%	38%	54%	88%	56%
New Zealand is a leading supplier of **safe** organic produce	72%	64%	26%	32%	55%	85%	57%

High-quality was the most rated attributes of New Zealand organic produce

Respondents in Oceania and selected Asian markets had a good perception of New Zealand organic produce.

View about New Zealand organic produce was limited in the US and German markets with many indicating that they did not know.

Source: EIU Consumer Survey (2020)

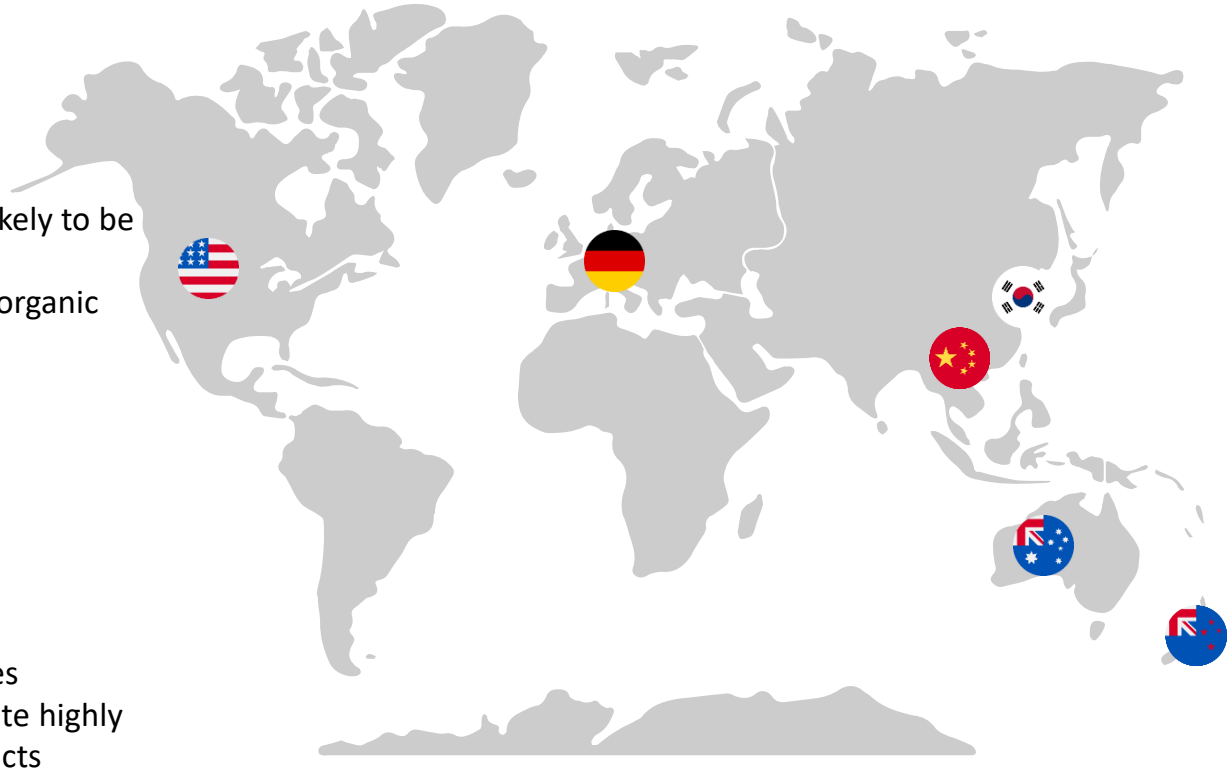
Q: We are interested in your opinion on New Zealand as a producer of organic products. Please indicate how strongly you agree or disagree with the following statements.?

**Net agreement is the proportion of respondents strongly agreeing or agreeing minus the proportion of respondents disagreeing or strongly disagreeing.*

MARKET INSIGHTS

US

- Regular organic purchasers are likely to be in the 45-60 age group
- Barriers include low trust of the organic claim



Germany

- Supermarkets and organic stores
- Consider animal welfare attribute highly when purchasing organic products
- Most willing to pay a premium for non-GMO, sustainability certification, and local products.

South Korea

- E-commerce is an important channel
- Consider perceived environmental benefits highly

China and Taiwan

- High proportion of regular organic purchasers
- High awareness of the organic marks (China)
- Positive view of New Zealand organic produce
- Good market penetration for New Zealand products

Australia and New Zealand

- Share similar purchasing behavior and preferences
- Trust brands for their organic claims
- High willingness to pay for organic and local products

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Get the latest update on production and trade trends, and review data from previous SOPI reports.



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Reports on the cost and profit trends of individual primary industry sectors.

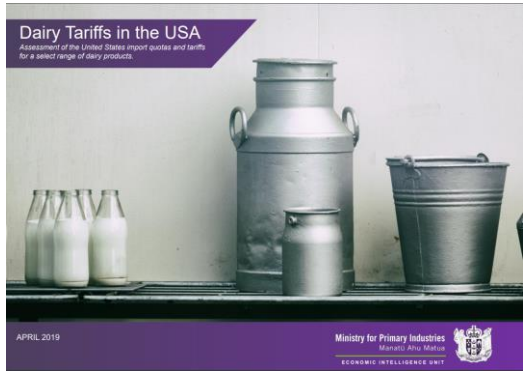
Find out the average cost of operating a vineyard, orchard, sheep or cattle farm.

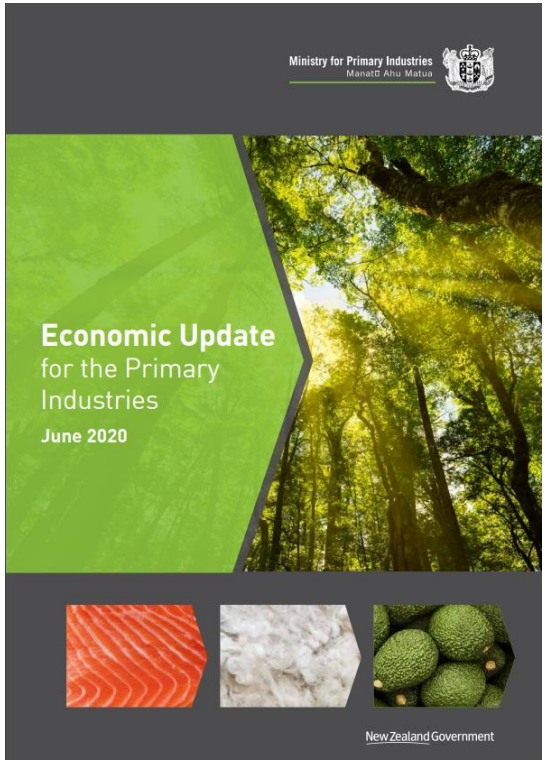


Data

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