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BORD BIA INSIGHT CENTRE

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

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Organic

Food & Drink Market Review

Background & Methodology

- Bord Bia commissioned RED C Research to conduct research into the Organic Food and Drink market in the Republic of Ireland.
- The core objective of the research was to get **an accurate value and profile of the total organic food market in Ireland**
  - *Currently the value of organic is collected through Kantar and represents only the multiple retail channel and thus does NOT account for the value accounted for via other channels (e.g. direct sales, independent stores, health stores or the food service channel)*
- Additional key objectives of the research was to **gauge consumers' attitudes to organics**, **trends/shopping habits and barriers to adoption**.
  - *Research into Irish consumer perceptions in relation to Organic Food and drink was conducted in 2010 and again in 2014, and given the recent positive growth trajectory it is a good time to understand how and why the sector has evolved.*
- Other data sources are included in this report to provide a consistent view of current performance and future opportunity areas.
- The main element of this research is a **survey of organic food & drink consumers** in the Republic of Ireland and this is accompanied by a **survey of members of the main organic licensing bodies.**
  - *(The Organic Trust. IOFGA and the Global Trust)*
- The research was conducted in **October and November 2017.**

Who we talked to…

Consumer Survey

- Online survey to n=1,009 buyers of organic food/ drink for their households *(based on different levels of commitment to organic).*
- N=20 minute Survey is representative of Republic of Ireland grocery shoppers.
- Questionnaire focused on…
  - *Commitment to organic*
  - *Current spend by channel*
  - *Category penetration & spend*
  - *Drivers and barriers to choice*
  - *Attitudes towards organic*
  - *Growth potential & encouraging greater purchase*

Member Survey

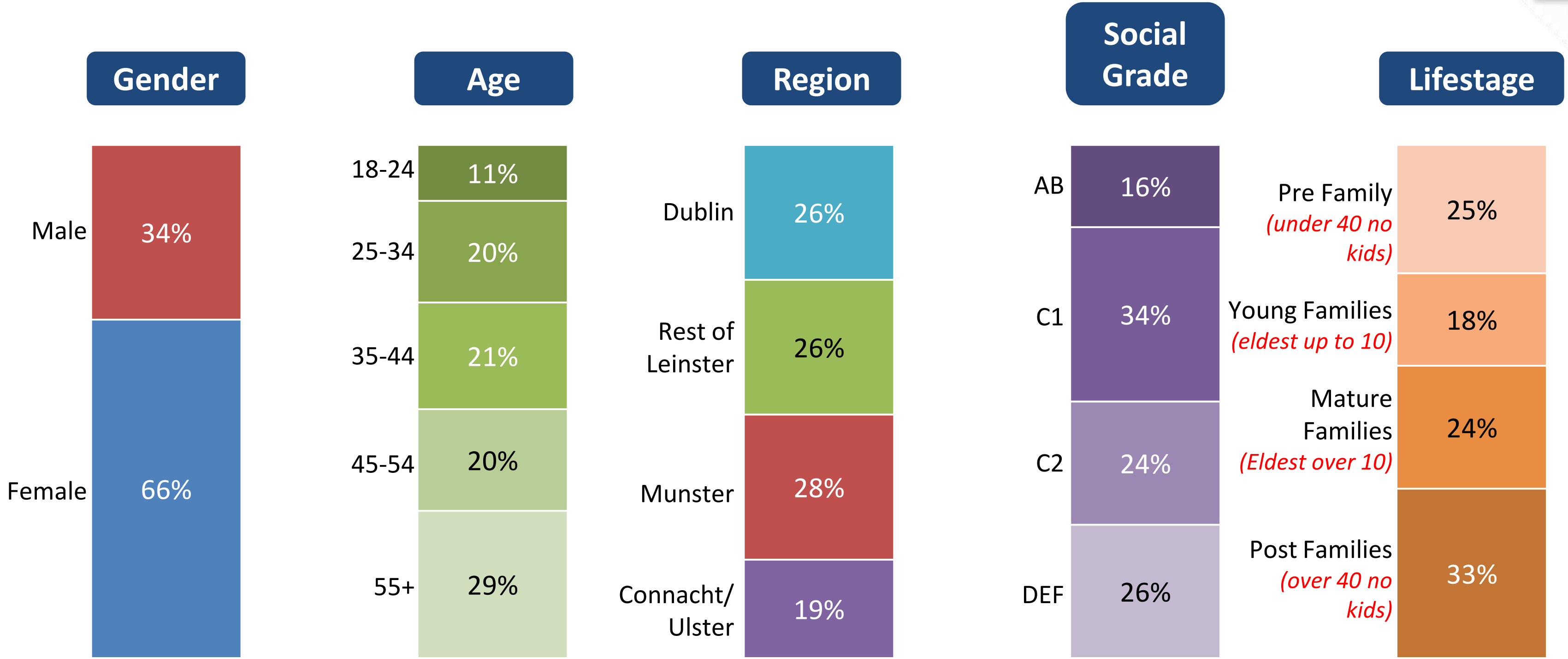
- Online survey sent by licensing bodies *(via Bord Bia)* to their members *(combination of producers, wholesalers and retailers).*
- Total of n=224 respondents doing a n=10 minute survey.
- Questionnaire focused on…
  - *Business purpose and tenure*
  - *Current business performance and future outlook*
  - *Proportion of total sales accounted for by various channels*
  - *Proportion of business accounted for by exports*
  - *Additional supports needed to benefit businesses*

KANTAR WORLDPANEL

We also use the latest round of Kantar data to extrapolate the market size and for initial context.

Organic Consumer Survey – Profile - I

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)



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The sample is a strong representation of the Irish grocery shopper and thus supports the robustness of the subsequent analysis.

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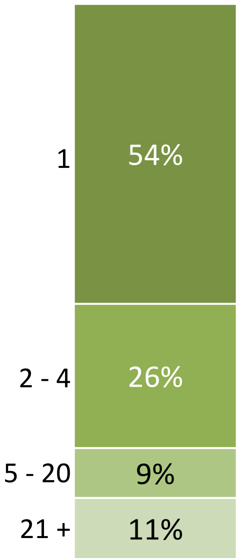
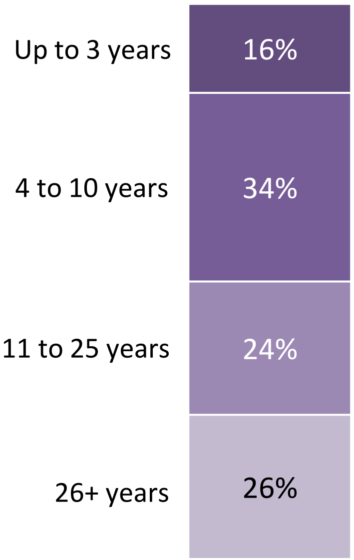
Organic Member Survey – Profile - I

(Base: All Organic member respondents; n=224)

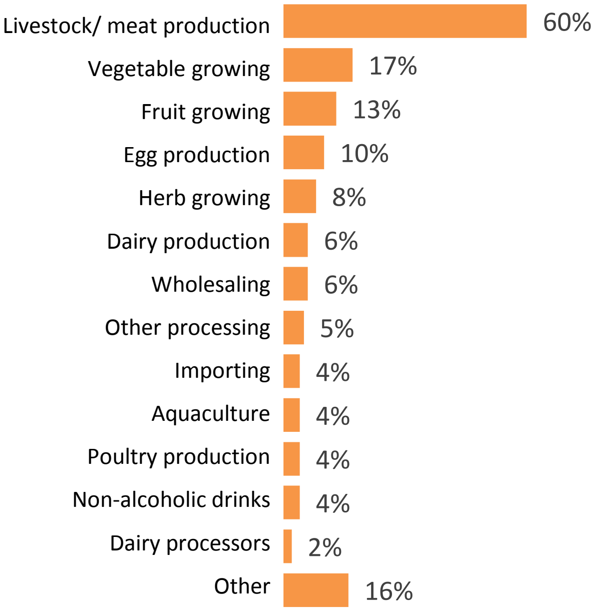
Size of Company



Company Tenure



Business Activities

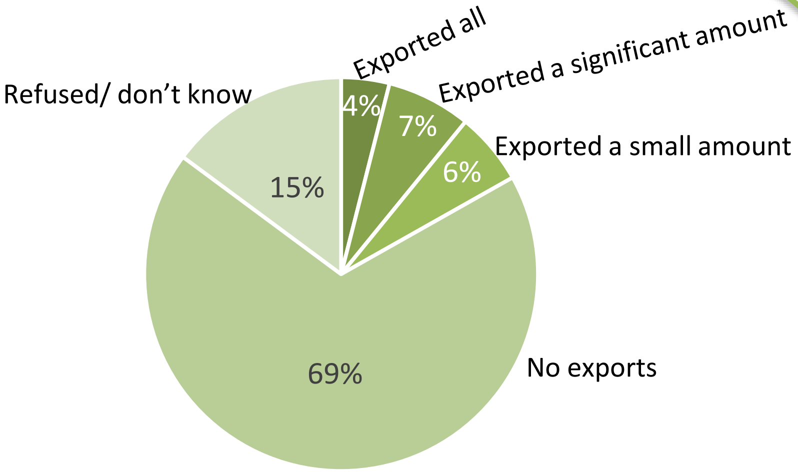


Sample dominated by livestock/ meat producers and smaller companies overall.

Organic Export Focus *(Members View)*

(Base: All Organic member respondents; n=224)

While of the following statements about exporting outside the Republic of Ireland best applies to your business's organic food and drink sales in the last 12 months?



17% of respondents had some exports in the last 12 months…

Tends to be aquaculture, some livestock/ meat producers and importers, wholesalers and other processors.

In our member sample 17% reported to having ANY level of exports in the last 12 months.

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What we will see today!

Organic Food & Drink Market Review

- Context & Market Sizing
- Commitment & Outlook for Organic
- Current Attitudes to Organic
- Category Focus – Penetration & Beliefs
- Drivers & Barriers to Adoption
- Growth Potential
- Sample Category Infographics

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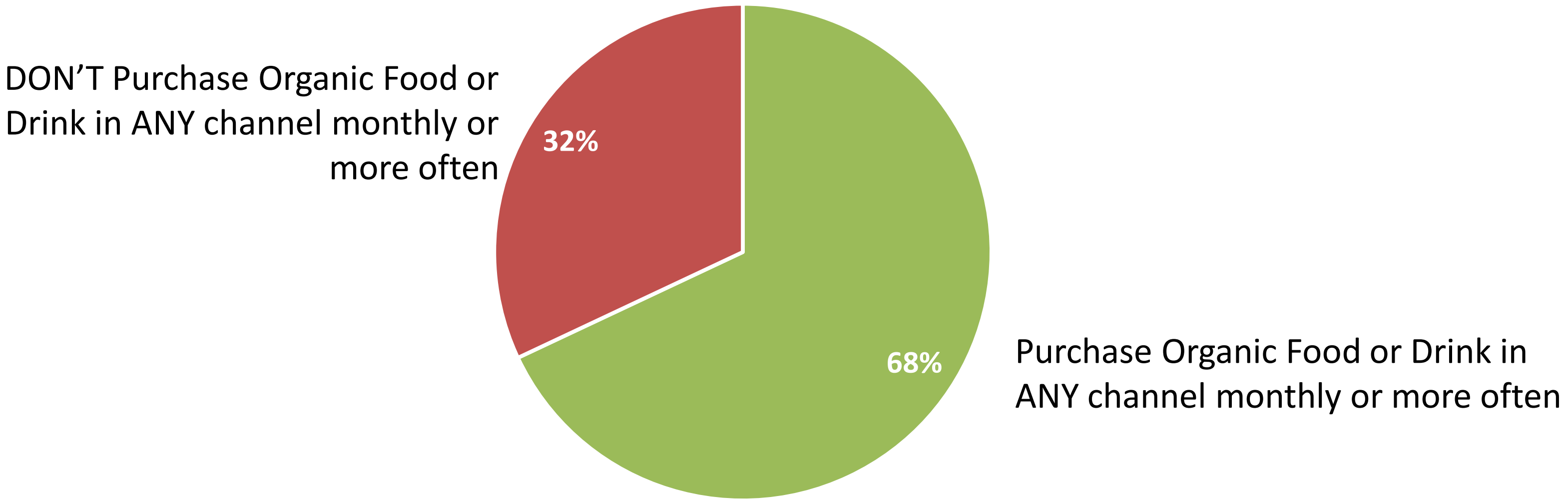
Context & Market Sizing

Penetration of ANY Organic Food & Drink in Ireland

*Source = RED C National Omnibus October 2017, all adults in ROI 18+

Monthly or more often ANY Organic Food & Drink Purchase in Ireland

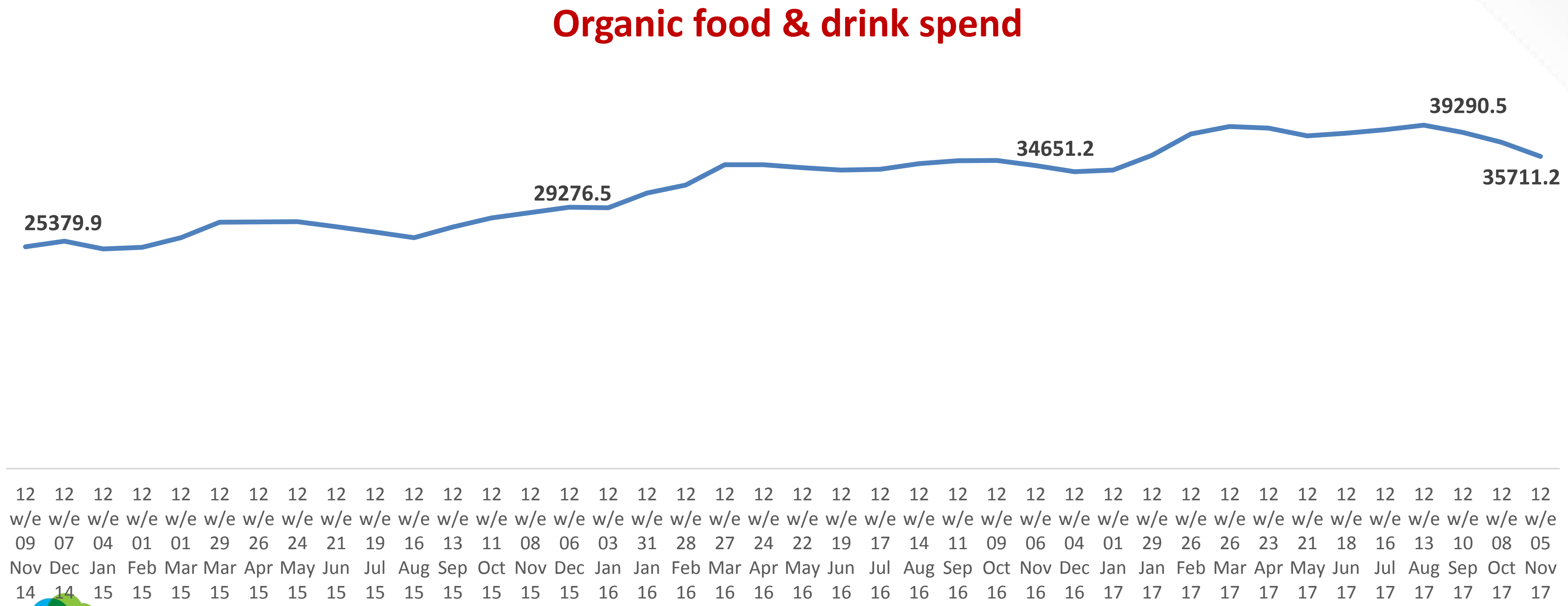


Almost 7 in 10 of the population claim to buy organic food or drink across any purchase channels in ROI currently.

The Organic Market for Consumers (i)…

*Source = Kantar Worldpanel to 5th November 2017

*Based off Rolling 12 week data



Over the past three years Organic has seen substantial growth, however in the short term we see that the Organic Market has seen some declines since August of this year

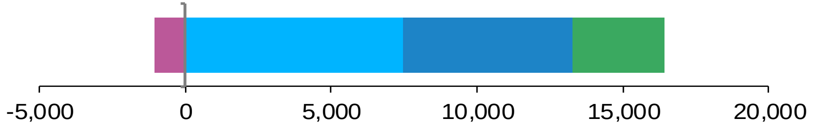
The Organic Market for Consumers (ii)…

*Source = Kantar Worldpanel to 5th November 2017

Measure	52 w/e 06 Nov 16	52 w/e 05 Nov 17	Change (Actual)	Change (%)
Spend (€000)	147,133	162,527	+15,393	+10.5%
Packs (000s)	122,978	136,846	+13,868	+11.3%
Penetration (%)	93.45	94.59	+1.14	+1.2%
Frequency	26.91	28.24	+1.33	+5.0%
Spend per Buyer (€)	92.70	100.28	+7.58	+8.2%
Volume per Buyer (Packs)	77.48	84.43	+6.95	+9.0%
Spend per Trip (€)	3.45	3.55	+0.11	+3.1%
Volume per Trip (Packs)	2.88	2.99	+0.11	+3.8%
Price per Pack (€)	1.20	1.19	-0.01	-0.7%

Includes other symbols and other outlets *(bargain stores, greengrocer, butcher, chemists etc.)*

Value up 10.5% worth €15.4m



Spend (€000)
€162.5m (+10.5%)
+€15.4m

Packs (000s)
136.8m (+11.3%)
+€16.4m

Price per Pack (€)
€1.19 (-0.7%)
-€1,050k

Volume per Buyer
84.4 (+9%)
+€13.3m

Penetration (%)
94.6% (+1.2%)
+€3,185k

Frequency
28.2 trips (+5%)
+€7,478k

Volume per Trip (Packs)
3 (+3.8%)
+€5,781k

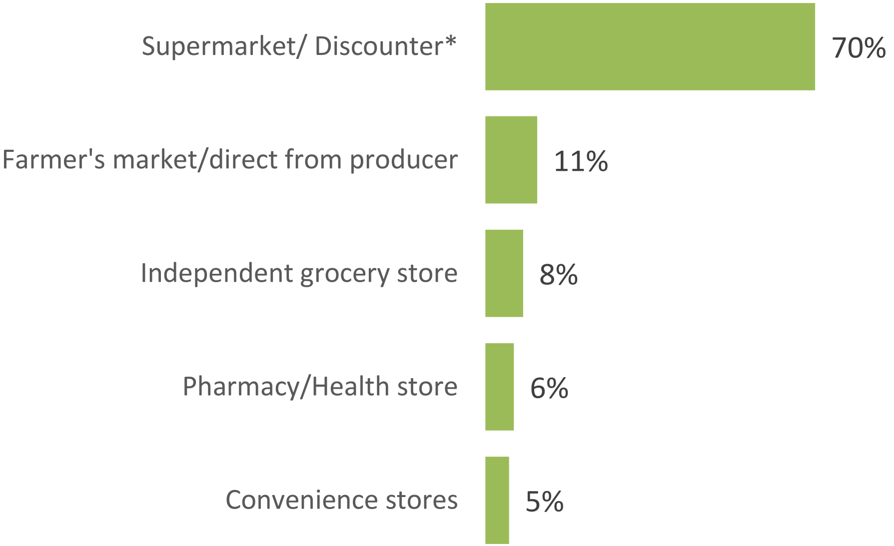
* Penetration contribution includes population growth of 0.9%

The Organic market is in growth of 10.5% this year, with consumers picking up more volume, more often. There is also an increase in penetration. Overall we can now create a more robust estimate of the total value of the consumer organic food and drink market.

Sizing The Organic Food & Drink Market *(Consumer Perspective)* (Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Sizing organic food & drink total monthly spend by channel

Consumer Spend Breakdown**



Consumer Market Value***

€144,487,000

€22,705,000

€16,513,000

€12,385,000

€10,320,000

Total Consumer Organic Food & Drink Market Value

€206,409,000

*Excludes 'other' outlets collected as forms part of non Supermarket/ Discounter calculation

**Source = RED C Consumer survey

***Source = Extrapolating Kantar Organics report

After extrapolating the Kantar spend data onto the Supermarket/ Discounter share of consumer organic spend, we see that the total Consumer Organic Food & Drink market value is above €200 million.

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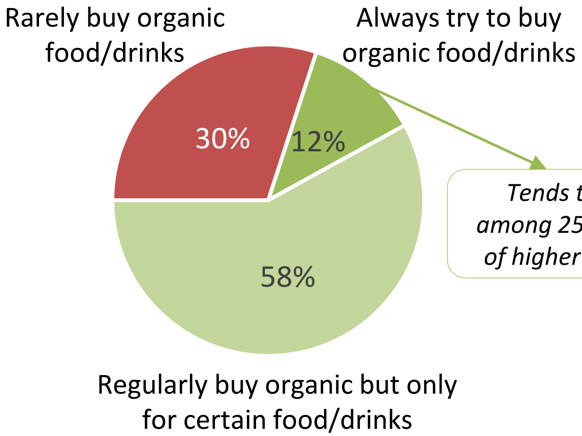
Current Commitment & Future Outlook for Organic Food & Drink

Current Commitment & Future Outlook for Organic *(Consumer Perspective)* (Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

And which of the following would best describe your current behaviour regarding buying organic food and drink products for you or your household?

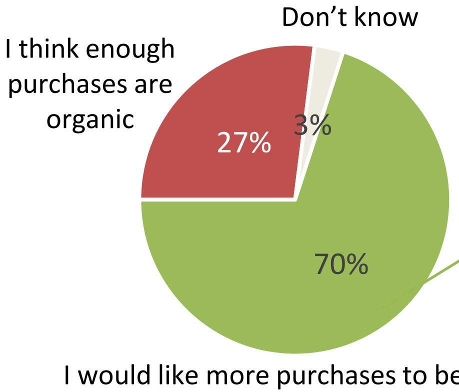
Current organic food/drink buying behaviour



Tends to be more among 25-44 year olds of higher social grade

And thinking about the next 12 months, which of the following would best describe your attitude to buying organic food and drink products for you or your household?

Attitude to buying organic in next 12 months



% More purchases to be organic	
Always try to buy organic	88%
Regularly buy organic	71%
Rarely buy organic	60%

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Majority of consumers 'somewhat' invested in organic, but general outlook very positive with 7 in 10 grocery shoppers wanting to buy more organic food & drink in the next 12 months. Even 6 in 10 of those that rarely buy organic currently would like to buy more!

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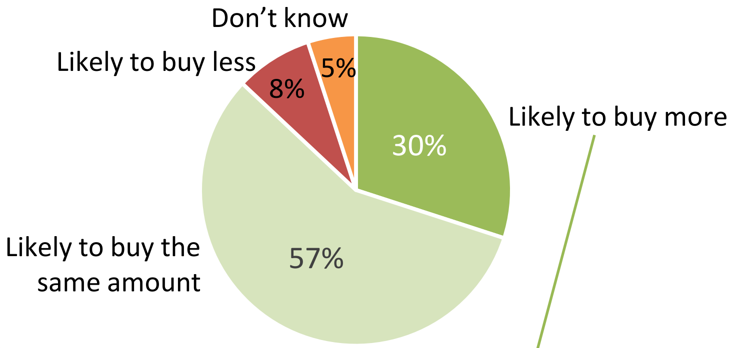
Growth Potential – both Consumer & Member Reaction

Consumer view – CATEGORY NORM

… do you think you are likely to buy more, less or the same amount of organic food and drink for your household in the next 12 months?

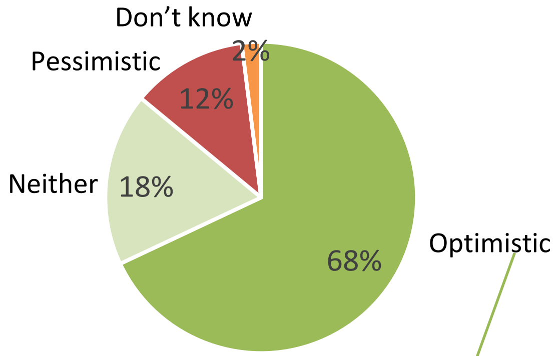


Categories Consumers MOST Likely to buy more…

Vegetables	51%	Eggs	35%
Fruit	50%	Dairy	32%
Seafood	42%	Meat	31%
Poultry	36%		

Member view

And thinking ahead to the next 12 months, are you optimistic or pessimistic about sales of your organic produce specifically?



Most Optimistic Production/ Growing areas…

Herb growing*	91%	Vegetable growing	85%
Poultry production*	89%	Egg production	78%
Fruit growing	86%	Aquaculture*	78%
Dairy production*	85%	Meat production	57%

* = Base less than 20 companies

Fruit & Veg, seafood, poultry, meat and dairy have greatest potential for growth among consumers, and while members appear very optimistic about future sales in general, the largest cohort (meat producers) have greatest caution.

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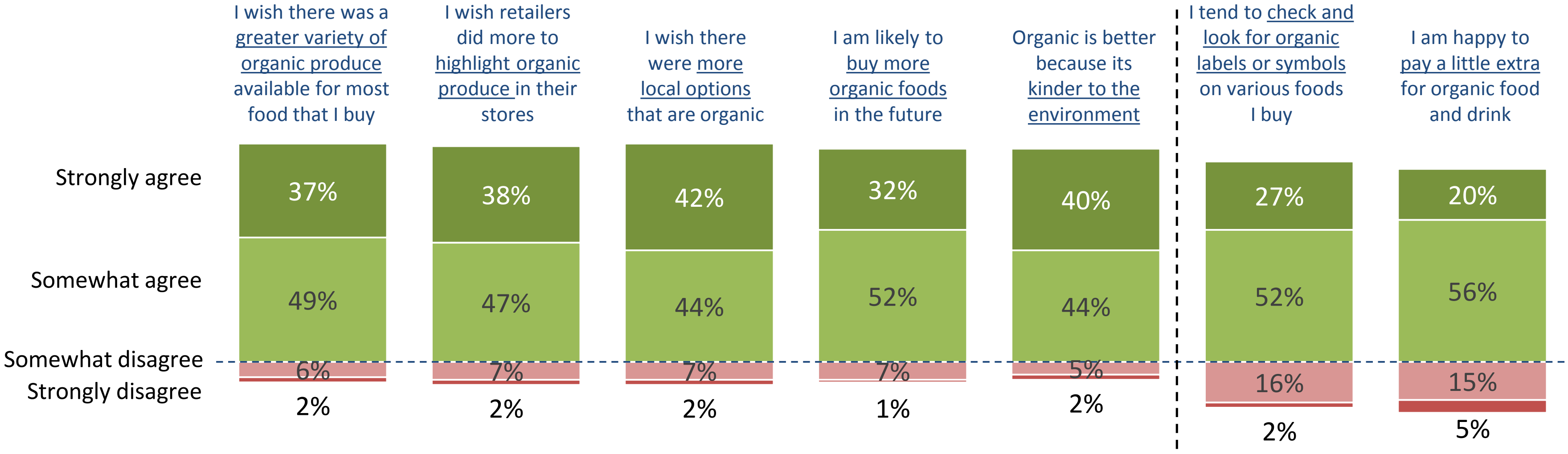
Current Attitudes to Organic Food & Drink in Ireland

Attitudes to Organic Food & Drink in Ireland - I

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Here are some statements other people have made about organic food and drink in Ireland. To what extent do you disagree or agree with each?



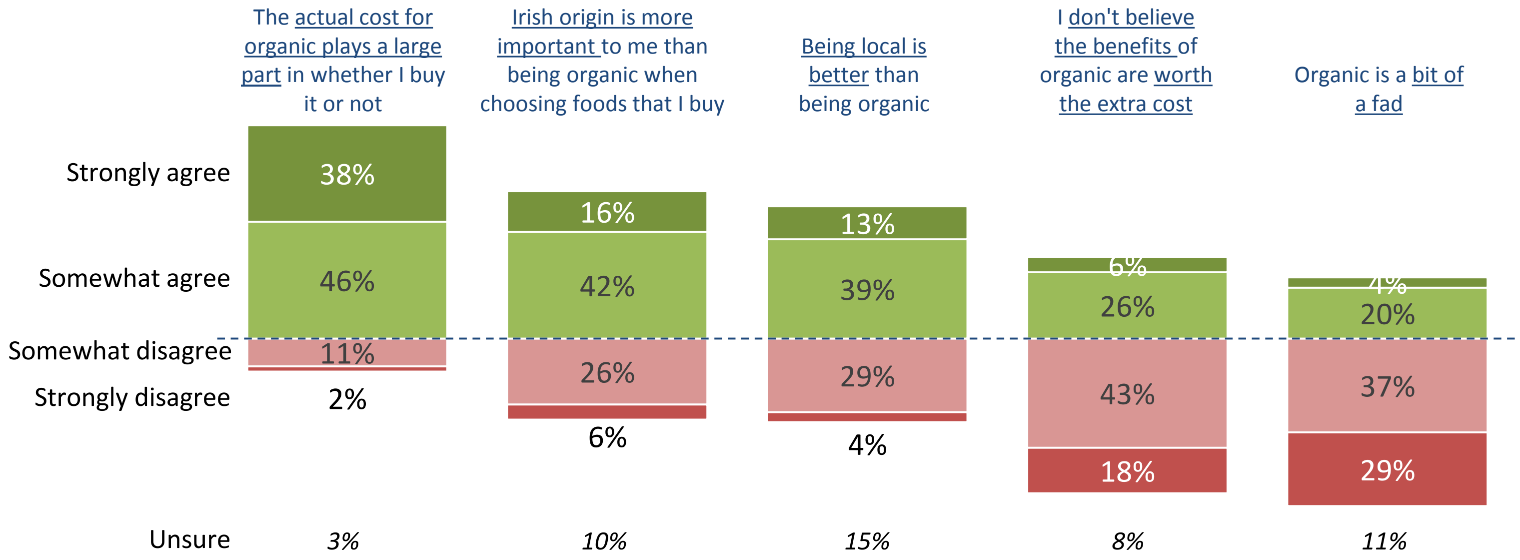
	I wish there was a greater variety of organic produce available for most food that I buy	I wish retailers did more to highlight organic produce in their stores	I wish there were more local options that are organic	I am likely to buy more organic foods in the future	Organic is better because its kinder to the environment	I tend to check and look for organic labels or symbols on various foods I buy	I am happy to pay a little extra for organic food and drink
Unsure	*5%*	*7%*	*6%*	*8%*	*9%*	*3%*	*4%*
% ANY Agree							
Total Market	86%	85%	85%	84%	84%	79%	76%
Millennials	86%	84%	85%	86%	79%	77%	73%

The general consensus is clearly a desire for greater variety of organic produce being available with high demand for more local organic options. Consumers generally happy to accept a small premium for organic produce.

Attitudes to Organic Food & Drink in Ireland - II

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Here are some statements other people have made about organic food and drink in Ireland. To what extent do you disagree or agree with each?



% ANY Agree

Total Market	84%	58%	52%	31%	24%
Millennials	86%	59%	58%	34%	32%

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'Irish-ness'/ 'Local-ness' polarises the market as many would prioritise the local element over organic, while about 1 in 4 consumers are somewhat sceptical about organic in general.

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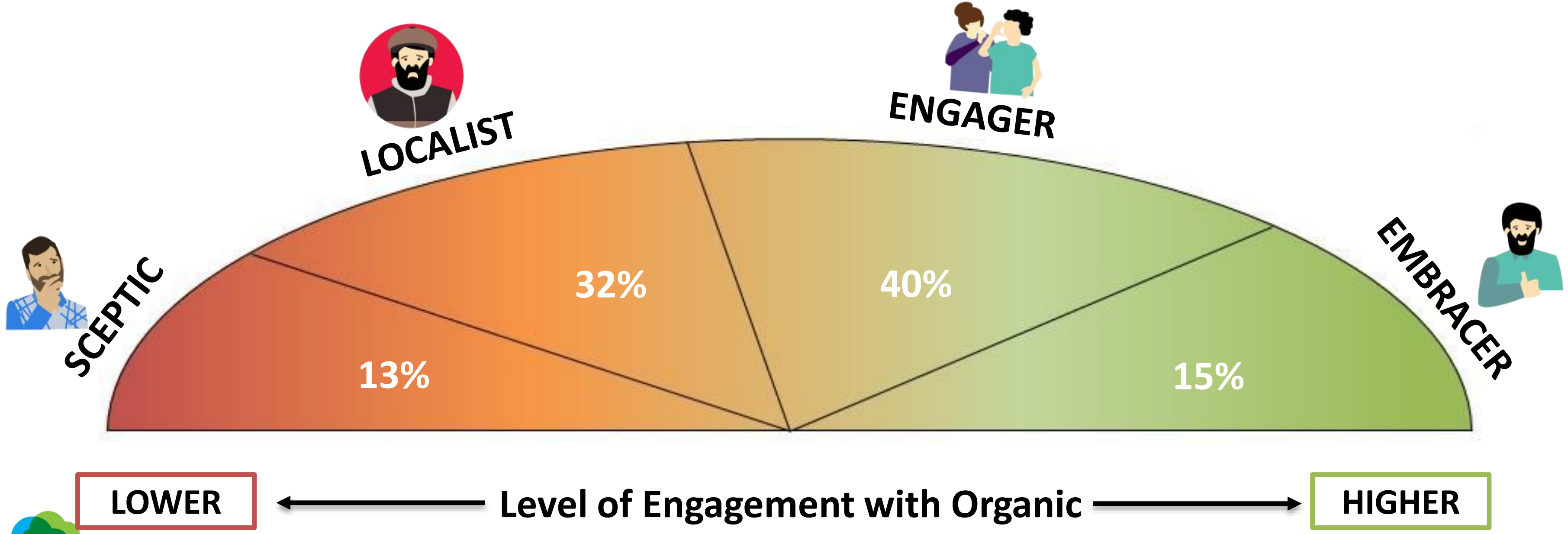
Segmenting Consumer Attitudes to Organic Food & Drink

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

- Based on these attitudinal questions we produced a statistical segmentation on these attitudes from consumers and are labelled and sized to the market below!



N=4 types of consumers emerge from the segmentation – very much ranging on the spectrum of engagement with organic in general…

SCEPTIC

Most likely to say…

I don't believe the benefits of organic are worth the extra cost

Organic is a bit of a fad

Profile

- Under 44 males and a Dublin bias and predominantly shopping in Discounters.
- Tends C2,D social grades (lower).

Growth Potential

LOW

- Need clearer understanding of organic benefits.
- Price & promotion always going to play a key role.

EMBRACER

Most likely to say…

I am happy to pay a little extra for organic food and drink

I tend to check and look for organic labels or symbols on various foods I buy

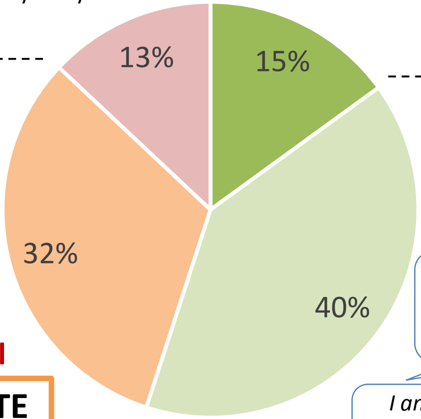
Profile

- Most likely to attend farmers markets/ indep. Stores.
- Tends to be 25-44's of B,C1 social grades (higher).

Growth Potential

MODERATE

- They are already bought into organic.
- They are however likely to be the early adopters for more niche categories expanding into organic.



LOCALIST

Most likely to say…

Irish origin is more important to me than being organic when choosing foods that I buy

Being local is better than being organic

Profile

- Skew towards 45+ outside of Dublin *(Leinster, Connacht/ Ulster).*
- Tend to conduct grocery shopping in Discounters.

Growth Potential

MODERATE

- Need to bring together better the linkage between Irish/ local AND organic.
- Doing so likely to encourage higher purchase of *dairy, meat & eggs* in particular as majority would like to purchase more organic..

ENGAGER

Most likely to say…

I wish there was a greater variety of organic produce available

I am likely to buy more organic foods in the future

I wish retailers did more to highlight organic produce in their stores

Profile

- Highest buyers of organic produce within the standard multiples and discounters.
- Tends to be 35-44's and 65+.

Growth Potential

HIGH

- They want to be more active buyers
- Highest future purchase intent in more everyday stables… *meat, dairy, eggs, cereal & healthy snacks.*
- KEY to continued sector growth!

Key challenges to maintain growth around maximising the potential around the Engager and Localist segments *(via retailer visibility and engagement, education and linking better to Irish provenance)*

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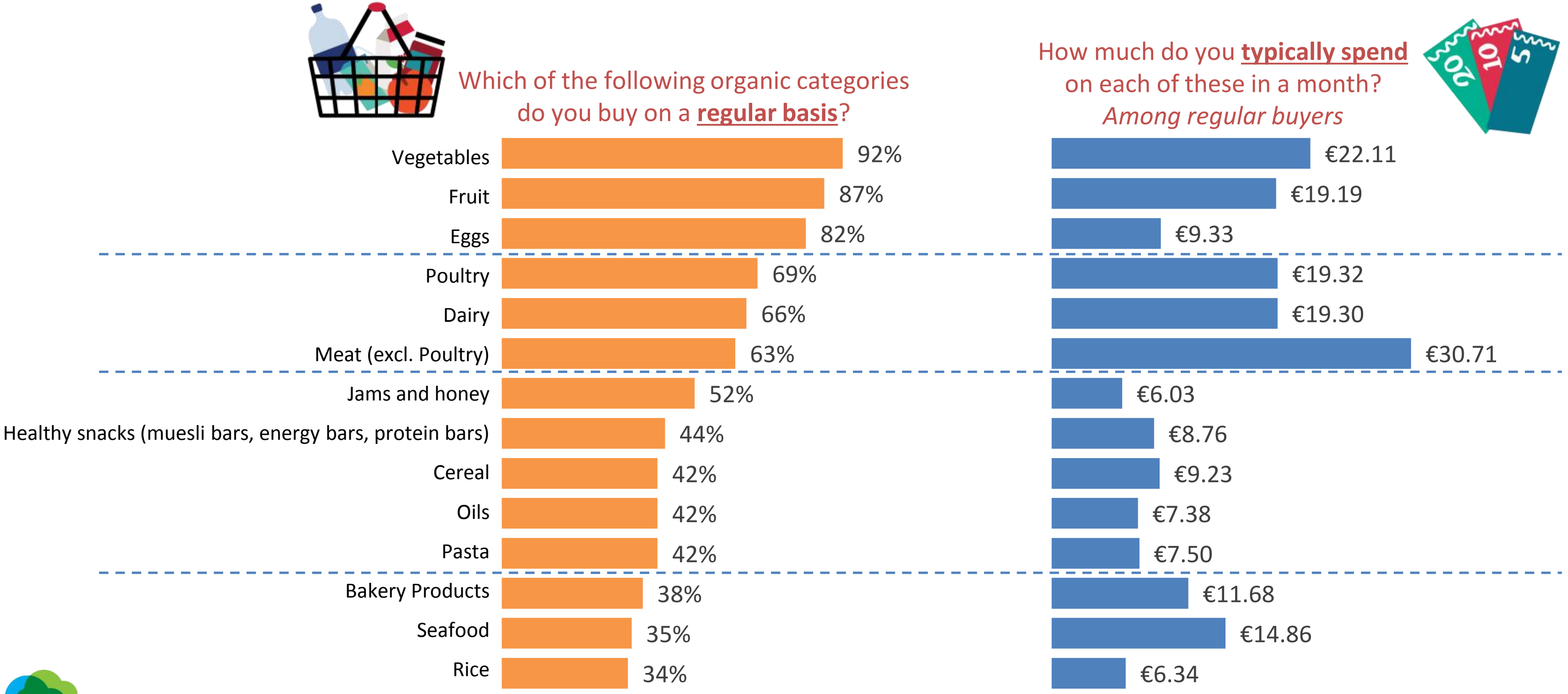
Category Focus

Regular Purchase Penetration of Organic Categories & Typical Monthly Spend - I

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

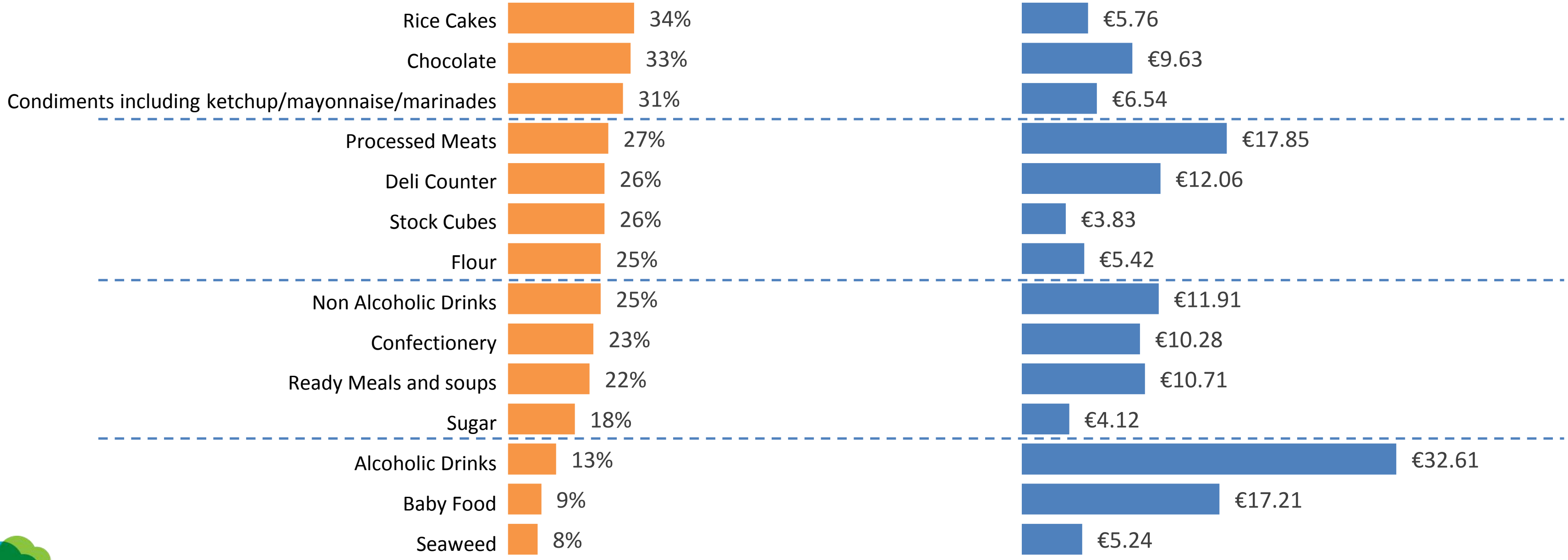


Fruit & Veg, eggs and Poultry/ meat are the main categories where organic is purchased among consumers and is where organic spend is highest also.

Regular Purchase Penetration of Organic Categories & Typical Monthly Spend - II (Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Which of the following organic categories do you buy on a **regular basis**?

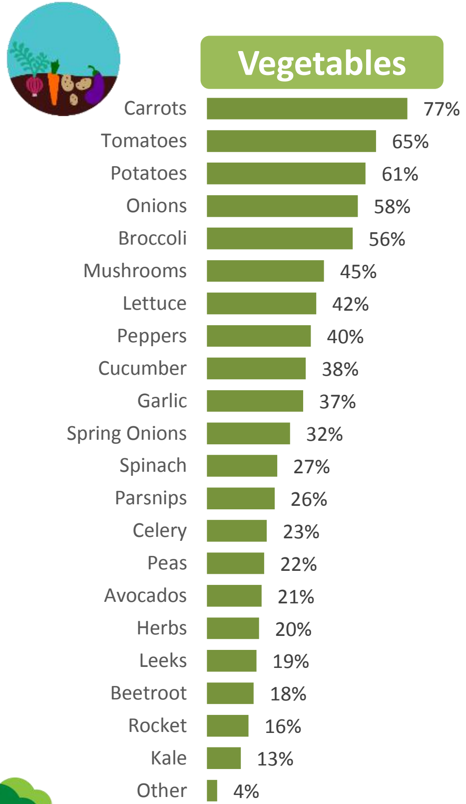
How much do you **typically spend** on each of these in a month? *Among regular buyers*

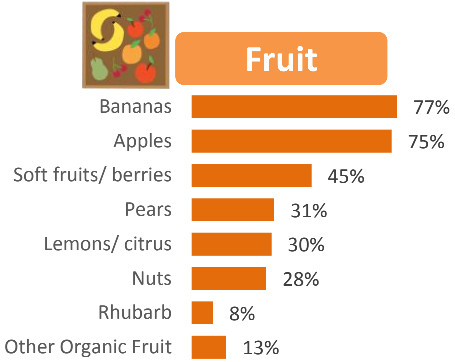


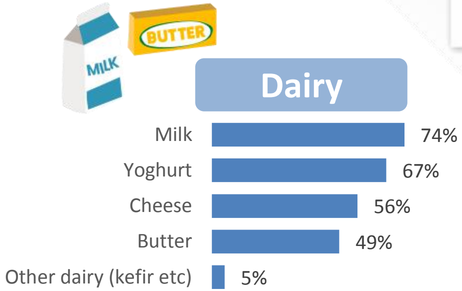
Even for smaller food & drink categories we see the potential to stretch organic further.

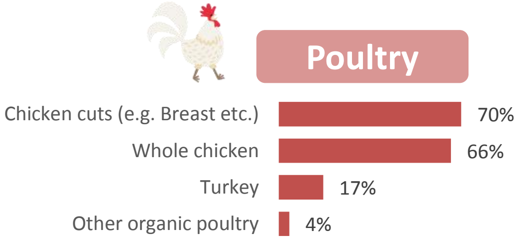
Sub Category Organic Purchase Breakdown - I

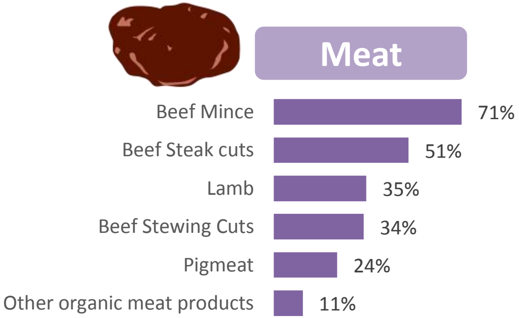
(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)





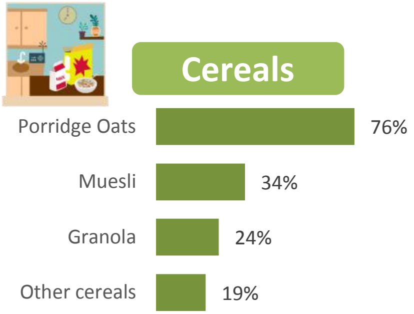


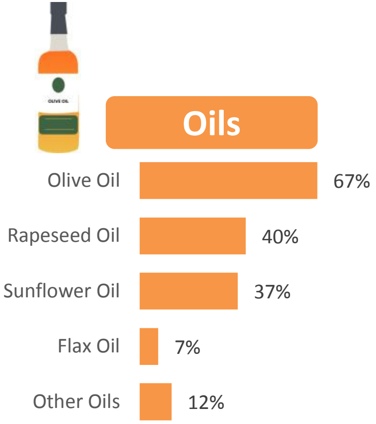


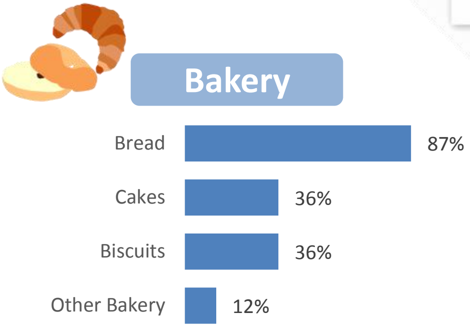


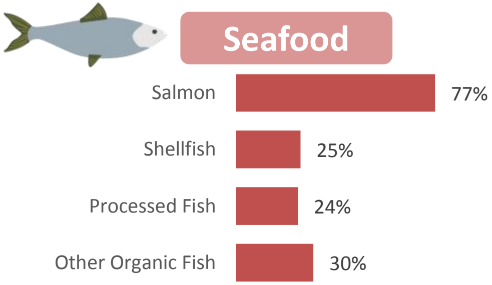
Sub Category Organic Purchase Breakdown - II

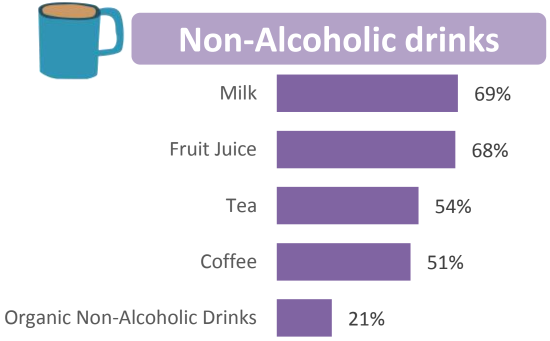
(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)





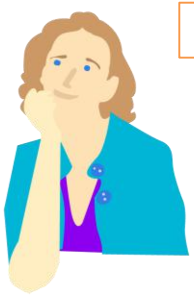




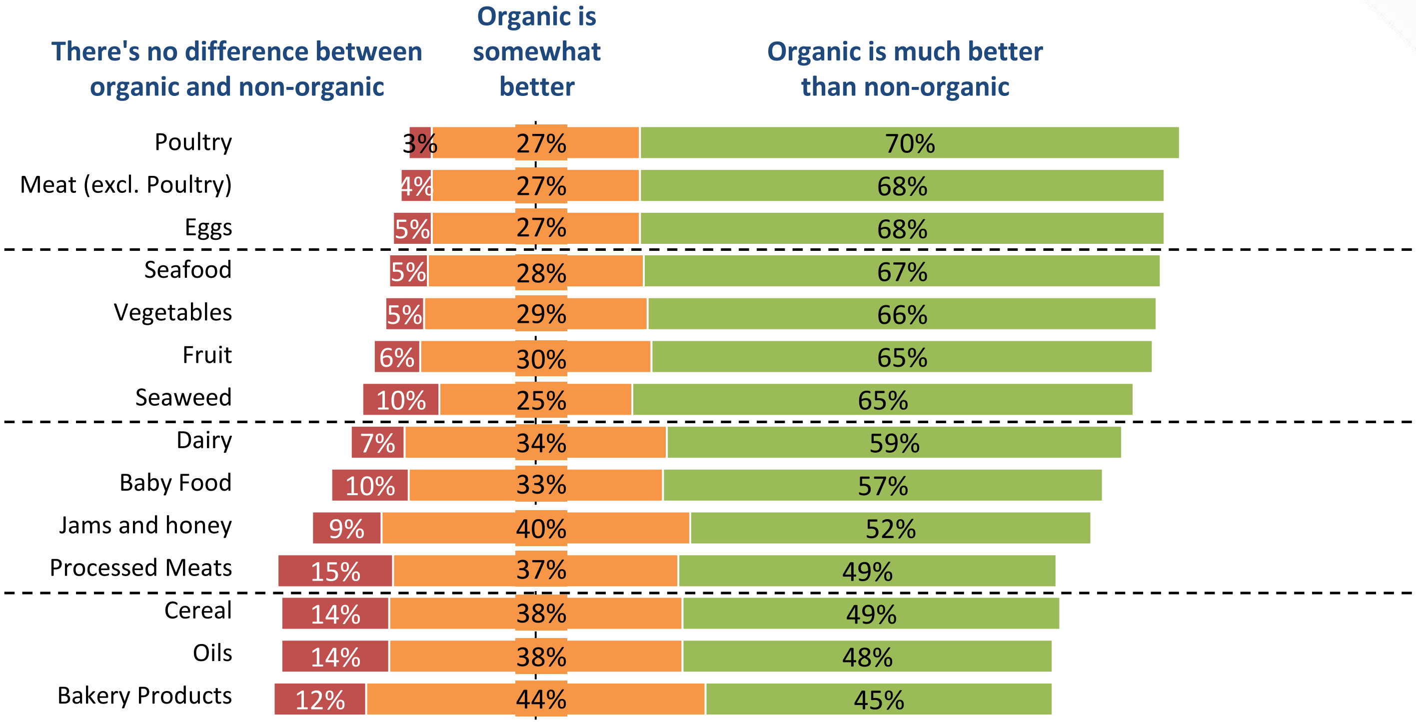


Consumer Beliefs – Organic vs Non Organic by Key Categories - I

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)



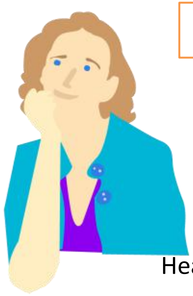
For each category that you buy regularly, to what extent do you believe organic versions are better than non organic?



In general there is a very strong belief among category buyers that organic is better – especially for the more commonly purchased types in the market.

Consumer Beliefs – Organic vs Non Organic by Key Categories - II

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)



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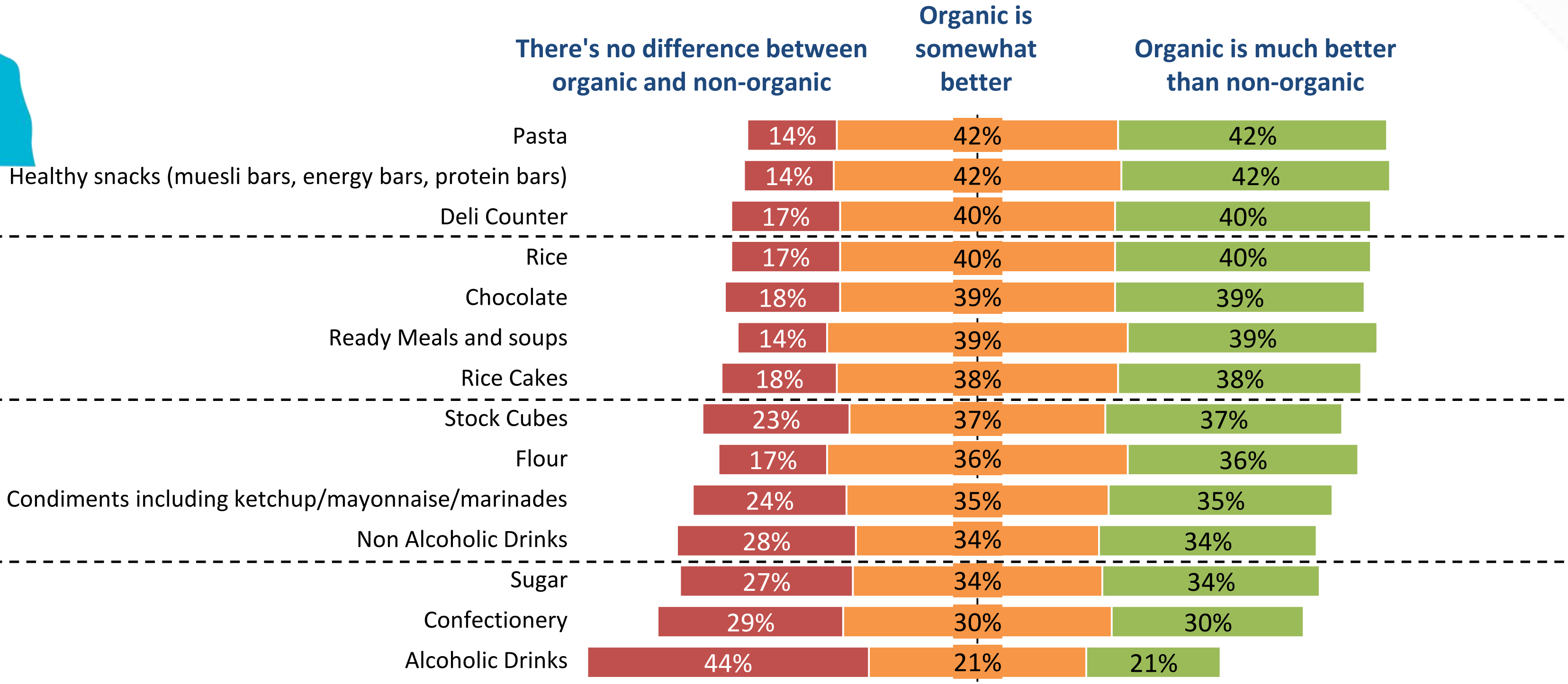

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And while buyers of the other categories still generally believe organic is better there is a sense that better communicating of the benefits for alcoholic drinks, confectionery, sugar, non alcoholic drinks is required to give the best change for growth.

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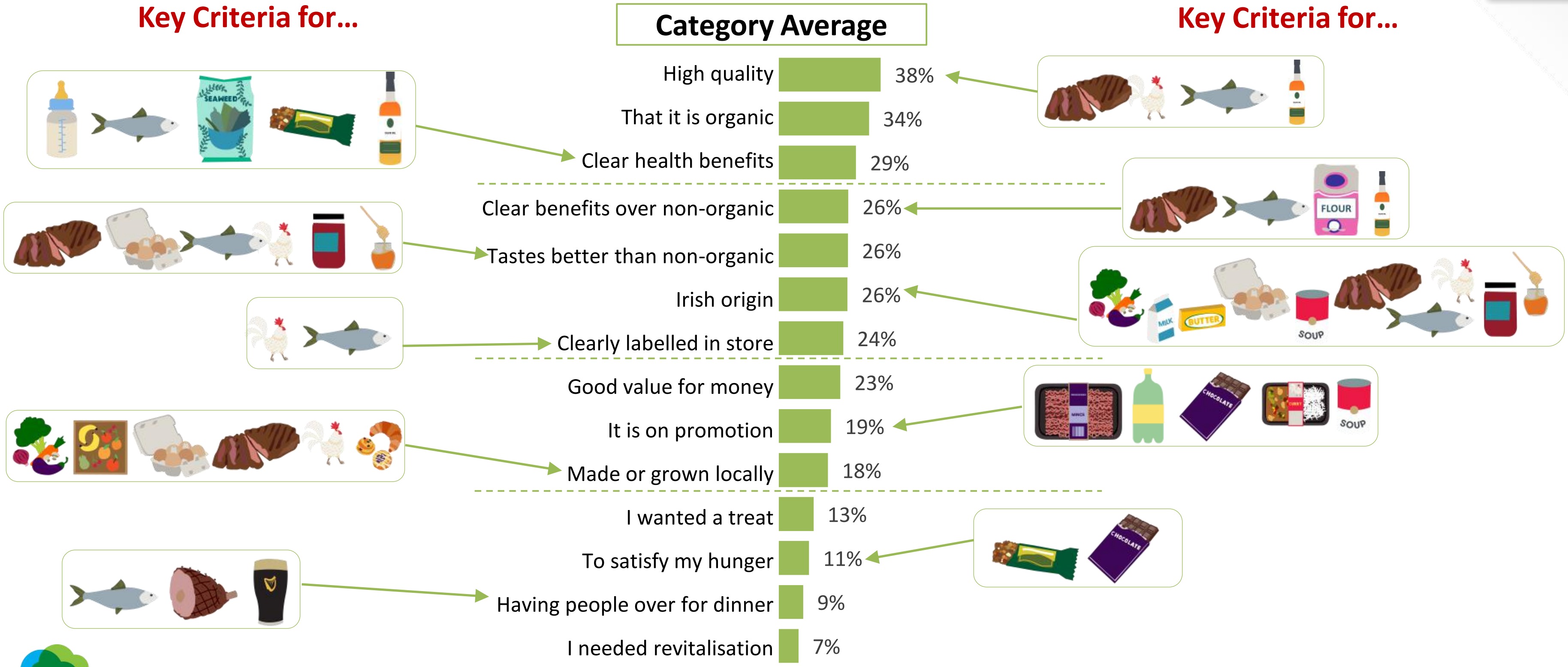
Drivers & Barriers to Organic Adoption

General Purchase Drivers Of Organic Food & Drink

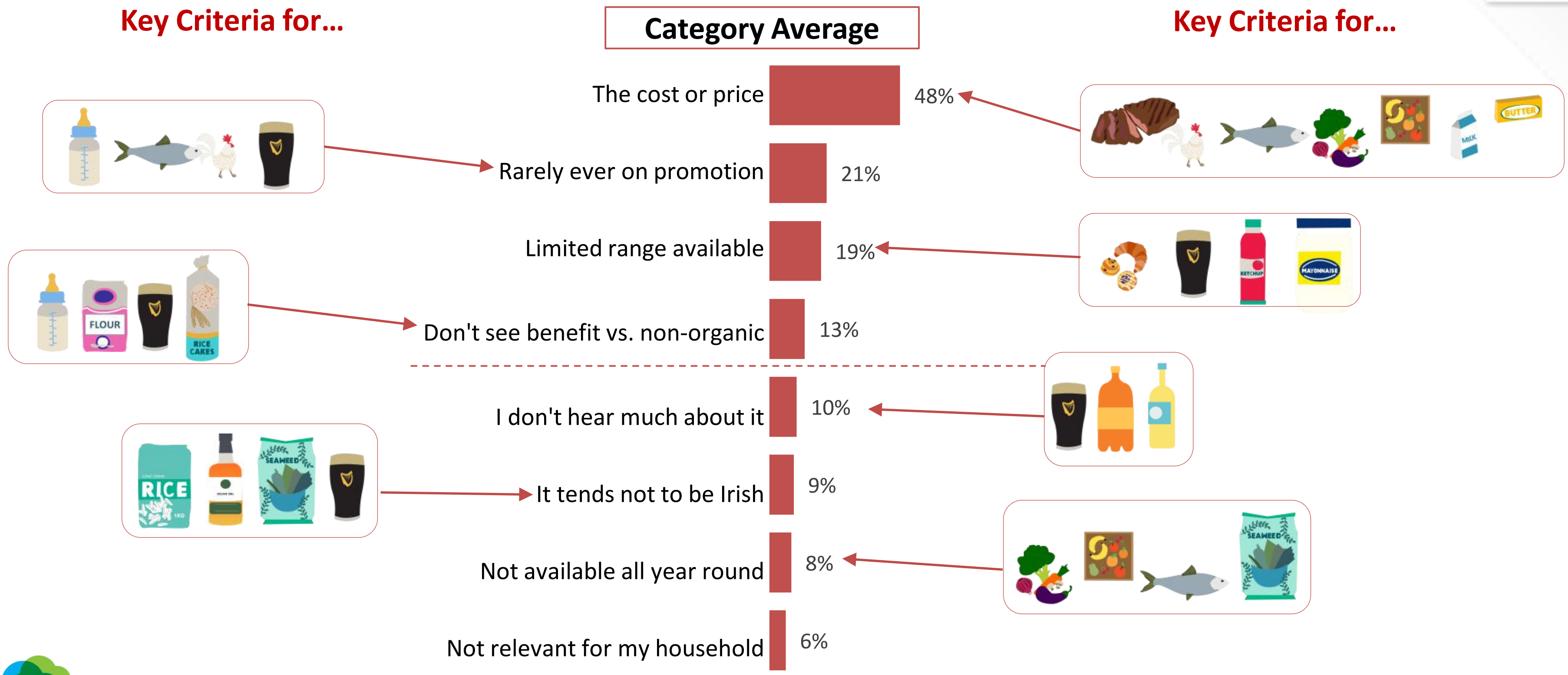
Which of the following reasons are important to you when deciding to purchase <CATEGORY>?



Quality perceptions key driver of meat, poultry and seafood coupled with superior taste credentials and link to Irish origin/ locally made in particular. Fruit & veg and dairy strongly endorsed around provenance.

General Barriers to Organic Food & Drink Adoption

Which of the following are important in terms of you not buying <CATEGORY> for your household?



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In general rejection is driven by price/ cost perceptions. Limited ranges tend to resonate more for bakery, alcoholic drinks and condiments while not seeing benefits more evident for baby food and flour in particular.

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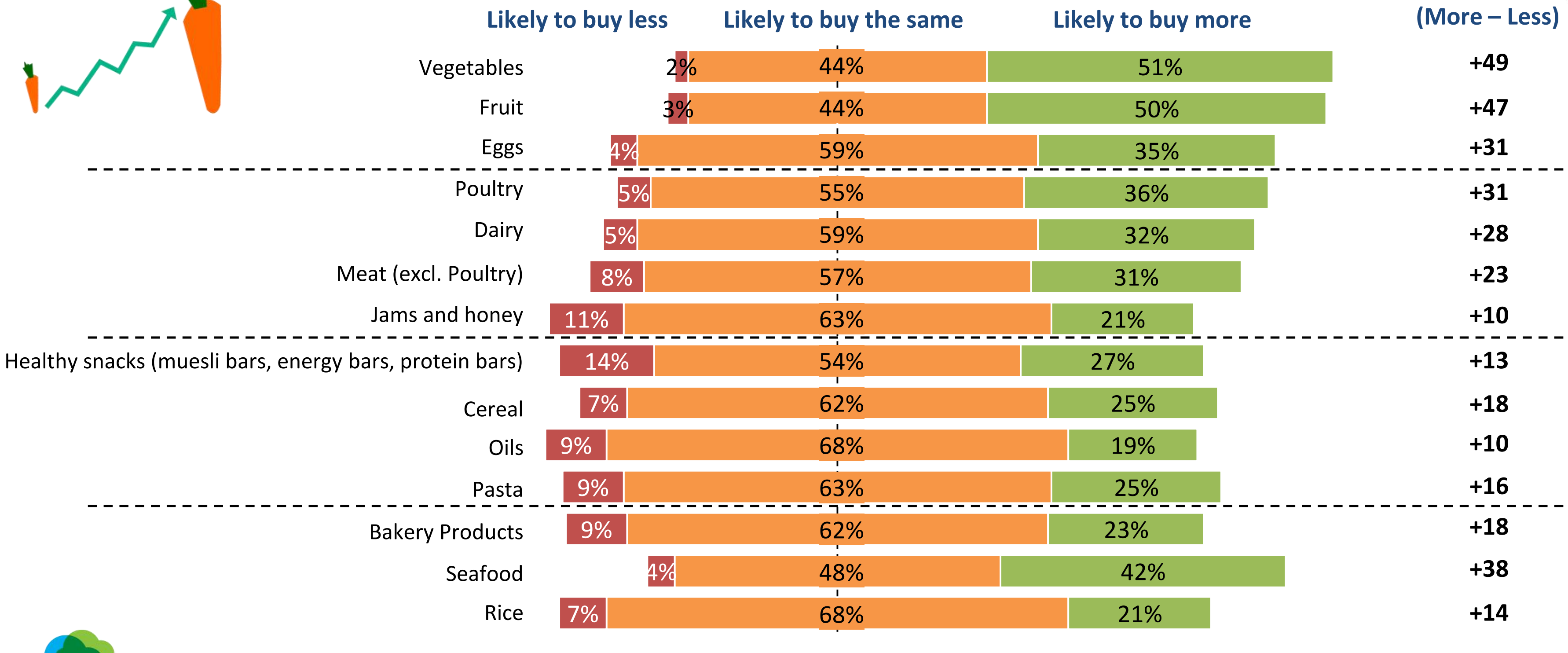
Growth Potential by Category

Organic Growth Potential For Categories - I

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Are you likely to buy more, less or the same amount in the next 12 months for your household?

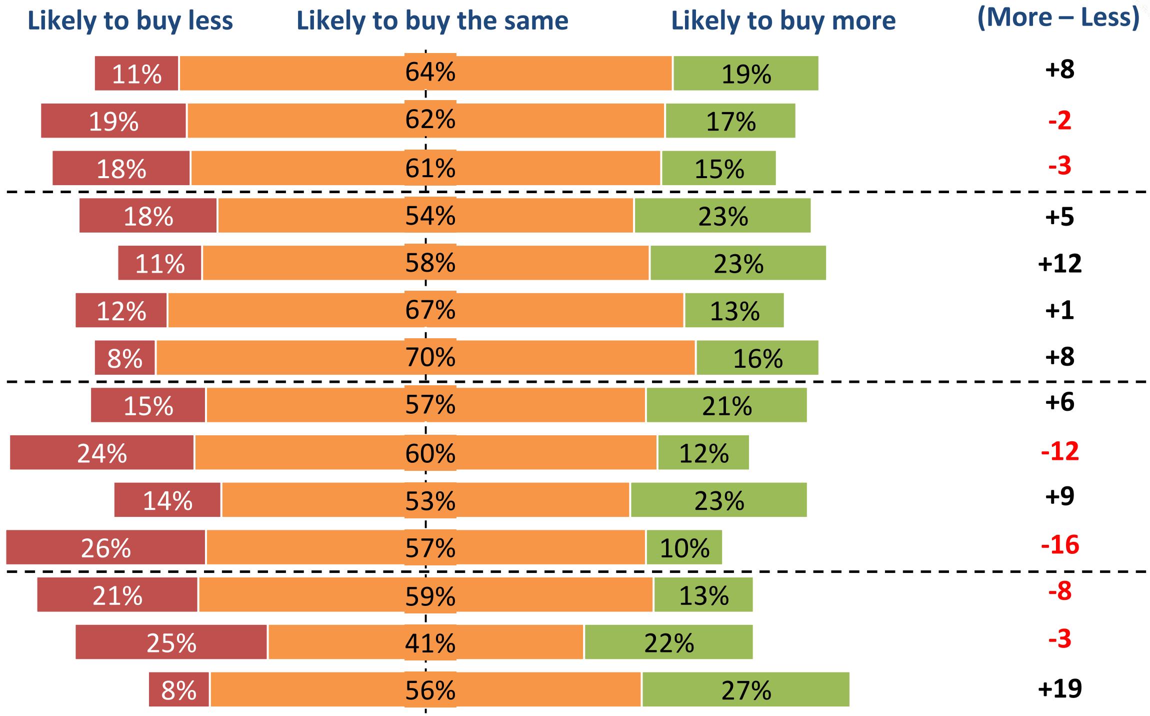


Categories with greatest growth potential are generally the current big hitters among consumers *(Fruit & veg, eggs, poultry, dairy & meat)* but great potential for organic seafood to develop relative to current purchase levels.

Organic Growth Potential For Categories - II

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Are you likely to buy more, less or the same amount in the next 12 months for your household?

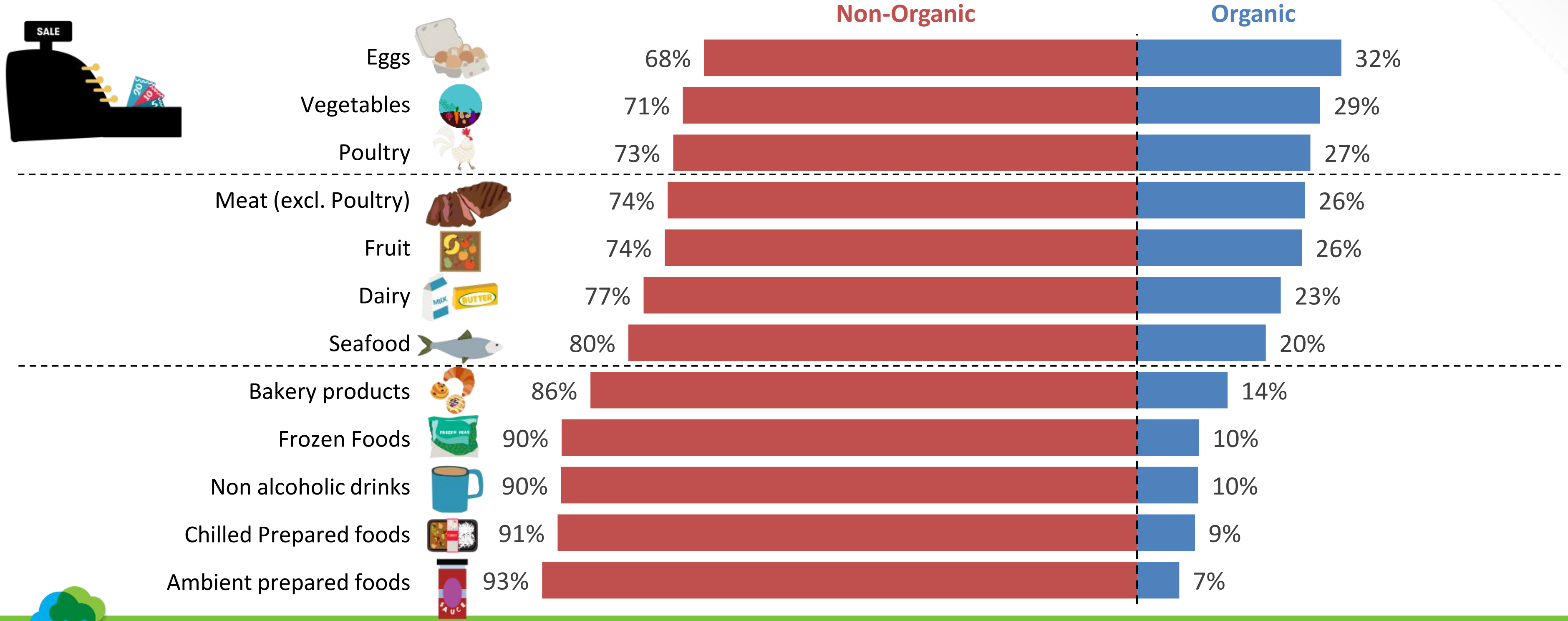


Key ‘watch out’ categories *(sugar, confectionery, condiments, chocolate)* need to tap more into specific nutritional benefits vs. non organic equivalents given the general macro health trend is for consumers to reduce intake of these categories going forward.

Stretching The Potential For Organic: *Consumer Perspective*

(Base: Grocery Shopper Who Buys Organic Food/Drinks; n=1,009)

Approximately what proportion of your typical monthly spend on each category would you say is Organic?



Despite the likes of eggs, fruit & veg, meat and dairy being the most commonly purchased organic categories, we still see clear potential to stretch the 'organic' spend of these categories further!

Encouraging Greater Organic Food and Drink Purchase in the Irish Market

- At the end of the consumer survey we asked them to tell us in their own words what they think could be done to encourage greater organic food and drink purchase in the Irish market (outside of a cheaper price!).

Better In-Store Visibility

- Increase consumer awareness of organic food and products **in-store**.
- **Designated organic isle/ area** within store so consumers can easily find organic offering.
- **Better in-store signage, POS and visual displays** of organic foods – ensure organic offering is visible to consumers.
- **Improved labelling** on organic products & **easier understanding of benefits** on pack.

Consumer Education

- Make the benefits simple and **worthy of the premium association**.
- Educate in particular around the **health and environmental benefits** associated with organic food products.
- Create **initiatives in schools** to educate children on the **benefits of organic food from a young age**.

Increased Availability

- Introduce a **wider range of organic food products** into supermarkets.
- Supermarkets can be seen to have a poor organic offering outside of the staples.
- Some feel Organic food is only sold through exclusive channels e.g. farmers markets.

THANK YOU!