What Are Grocers Buying?
Selected Results from the 2007 Minnesota Organic Retail Survey

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Background and Methods

Survey Objectives: (1) Quantify grocery store demand for locally-produced organic products in Minnesota's metro and non-metro areas; and (2) Identify grocers' sourcing preferences and attitudes toward direct store delivery.

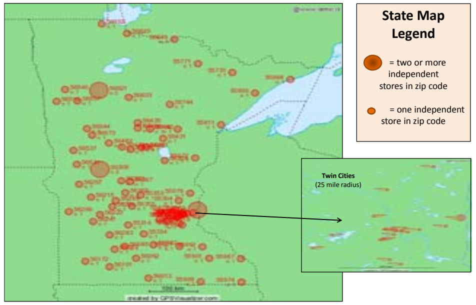
Survey targets: General managers and category buyers of organic produce, meat and dairy at 75 chain and independent retail grocery store locations throughout Minnesota. Targets were identified using the *2007 Chain Store Guides*. All chain and independent stores having a "gourmet/specialty" department and two or more category buyers were contacted for the survey.

Methodology: Four-part telephone survey conducted by the Minnesota Center for Survey Research from August – October 2007. Stores were contacted up to five times in an attempt to complete the survey. Telephone surveys lasted 1-56 minutes with a weighted average of 20 minutes for all stores and all buyers.

Survey Response Rate

	All Stores	Chains	Single Stores	Twin Cities Stores	Outstate Stores
Complete survey	82	17	65	24	58
Partially complete	4	2	2	1	3
Refusal	13	6	7	4	9
Active	10	7	3	6	4
Eliminated (store closure, other)	7	4	3	2	7
Total	118	38	80	37	81
Response rate[1]	80%	59%	87%	71%	82%

Respondent Demographics & Characteristics



Questions and Selected Findings

Number of Stores That Retailed Organic Produce, Meat and Dairy

	All Stores (% of total)	Chains (% of total)	Single Stores (% of total)	Twin Cities Stores (% of total)	Outstate Stores (% of total)
Produce	57 (84)	14 (88)	43 (83)	20 (87)	37 (82)
Meat	29 (43)	8 (50)	21 (40)	13 (57)	16 (36)
Dairy	56 (82)	13 ((81)	43 (83)	22 (96)	34 (76)
Total	68	16	52	23	45

Top Three Organic Sellers in Minnesota Grocery Stores

	All Stores	Chains	Single Stores	Twin Cities Stores	Outstate Stores
#1	Milk	Milk	Milk	Bananas	Milk
#2	Carrots	Carrots	Carrots	Milk	Carrots
#3	Bananas	Strawberries, Broccoli, Bananas	Lettuce, Apples	Carrots	Lettuce



Estimated 2006 Organic Sales for Stores Surveyed

Twin Cities

Estimated organic sales 2006: $30,464,000
Avg. sales/store: $1,324,5222

Outstate

Estimated organic sales 2006: $9,870,925
Avg. sales/store: $ 224,339

Retailers' 1-5 Year Outlook for Organic Sales in Minnesota

	All Stores	Chains	Single Stores	All TC Stores	Outstate Stores
Increase >50%	15	6	9	4	11
Increase 25-50%	21	6	15	8	13
Increase <25%	24	3	21	11	13
Stay the same	6	1	5	0	6
Decrease <25%	1	0	1	0	1
Decrease 25-50%	0	0	0	0	0
Decrease >50%	1	0	1	0	1
Total	68	16	52	23	45

Retailers' 1-5 Year Outlook for Organic Sales in Minnesota

	Produce (# of stores)	Meat (# of stores)	Dairy (# of stores)
Direct from farmers	23	13	19
Direct from manufacturers or processors	8	10	24
Through a wholesaler, distributor, broker	36	16	39
Some other way	0	0	0
Total	39	26	48

* 70 % of produce, 77 % of meat and 95 % of dairy buyers said they would ***prefer that farmers contact the store*** direct to arrange sales.

* The majority of buyers who did not source direct from farmers said they were precluded from doing so because they **did not know any organic farmers** in their area.

* Buyers regularly **requested the following** when buying direct from farmers: price sheet, copy of organic certification, product samples, delivery schedule, labeling, and point-of-purchase materials.

Type of labels most often requested:

Buyers Purchased From Farmers Who Contacted the Store

	Produce (# of stores)	Meat (# of stores)	Dairy (# of stores)
Farmers market	0	1	1
Word-of-mouth	2	5	3
MN Grown directory/website	1	1	0
Conference/Trade shows	1	0	0
Web or Internet search	1	0	0
Farmer contacted store	18	8	14
Total	23	13	19

Buyers *regularly* encountered the following problems when buying direct from farmers:

* Insufficient volume
* Distribution and/or transportation disadvantages
* Product seasonality
* Limited varieties

Most buyers used informal contracts (handshake, verbal agreement) to secure products that were in short supply.

Take Home Ideas

RETAILERS:

- Expect significant growth in organic sales over the next 1-5 years (majority expect 25 % or more growth rate).
- Have the interest and flexibility to purchase direct from farmers. Those who did not buy direct in 2006 said they didn't know any organic farmers in their area.
- Prefer that farmers contact the store to arrange sales; grocers typically will not seek out farmers at markets, through the Internet, or at conferences.



Retail opportunities exist for Midwest organic farmers in metro *and* non-metro areas.

FARMERS:

Are encouraged to inquire about a store's shortage items, offer price sheet, delivery schedule and point-of-purchase materials.

- Do not need to supply all stores in a chain; store commitments with distributors or other suppliers do not appear to preclude direct purchases from farmers.
- Should consider season extension management alternatives – grocers cited "seasonality" as the number one issue precluding more local purchases.
- Can produce grocers' top selling organic products seasonally and year-round.

1- Survey Design Team members: Bea James, National Cooperative Grocers Association; John Seltzer, University of Minnesota Retail Food Industry Center; Meg Moynihan, Minnesota Department of Agriculture; and Jim Riddle, Southwest Research and Outreach Center.

Survey Implementation and Tabulation: Rosanna Armson and Pam Jones, Minnesota Center for Survey Research **Survey Participation:** General managers and category buyers at grocery stores throughout the state. Thank You! **Funding and Administrative Assistance:** Minnesota Institute for Sustainable Agriculture and the School of Agriculture's Endowed Chair in Agricultural Systems Program.