2007 MN Organic Retail Survey: Grocery Stores

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Background: Why conduct the survey?

MDA survey results – produce growers showed a strong interest in direct-to-retail marketing. Almost 40% of *2007 Organic Farmer Survey* respondents who grow produce said they would **prefer** to market direct to retailers.

Goal: To identify metro **and** non-metro organic retail marketing opportunities for Minnesota farmers.

Goal: To provide information about how best to approach retailers; get products on retailers' shelves.

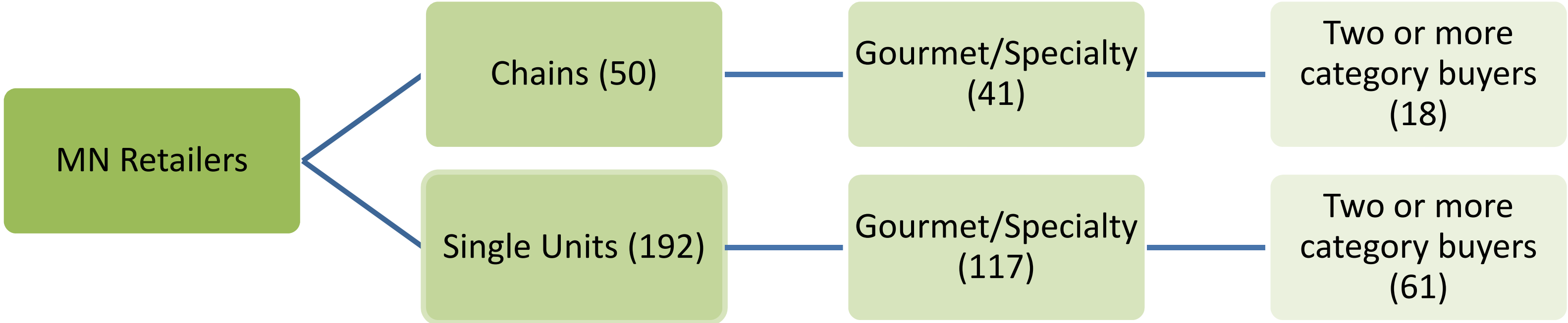
Descriptive statistics can help us begin formulating a picture about Minnesota's retail sector demand and purchasing preferences.

What did the survey measure?

1. Minnesota **retail demand** for organic food in metro and non-metro areas;
2. Expected **growth** of organic food sales in Minnesota;
3. Demand for **state** and regionally supplied organic food;
4. **Sourcing history** among produce, diary and meat buyers;
5. **Sourcing preferences** among produce, dairy and meat buyers; and
6. Buyers' interest in **purchasing direct** from Minnesota farmers.

Survey Targets

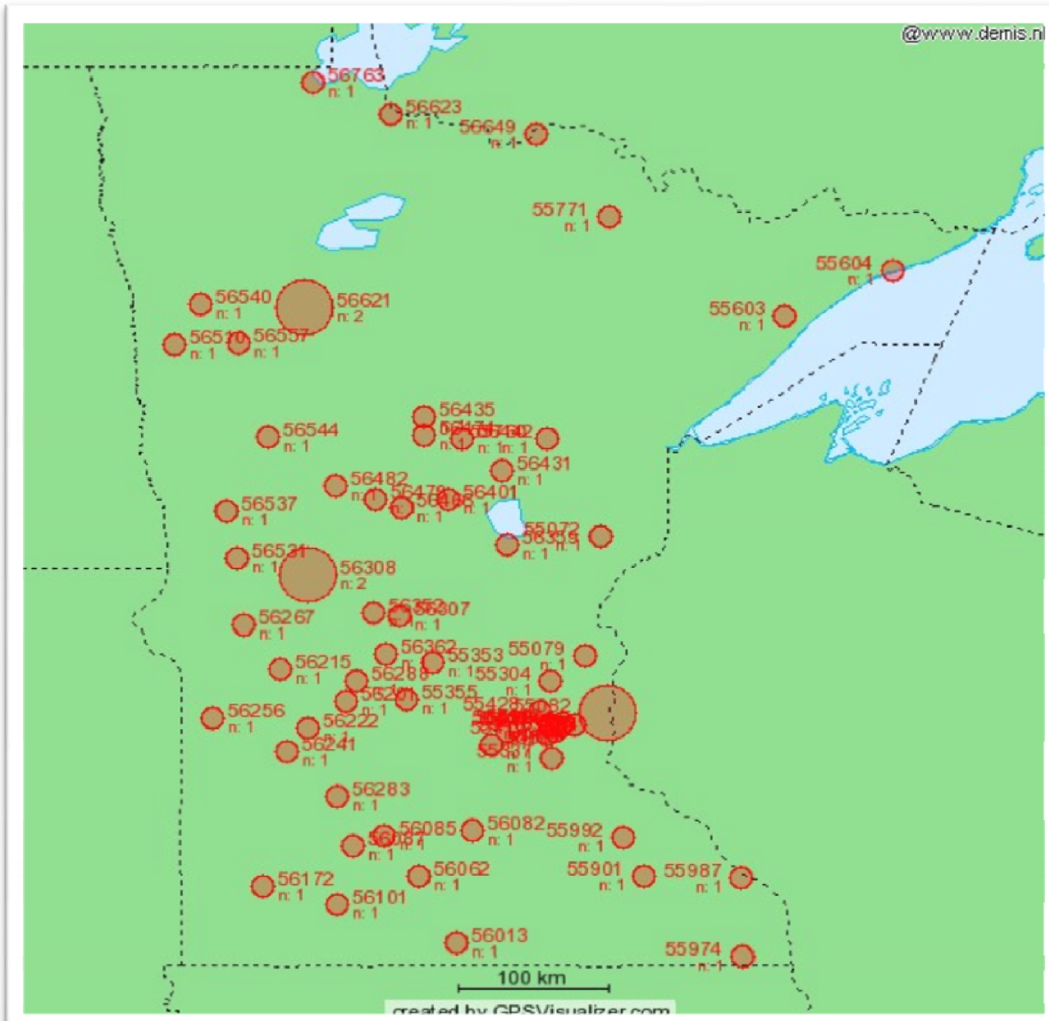
1. 75-100 independent and chain stores throughout Minnesota who retailed organic food items in 2006. Equal distribution among rural and urban targets.
2. Source: *2007 Directory for Single Unit and Chain Store Operators* (produced by Chain Store Guide)
3. Began with list of 242 stores – narrowed down using criteria:
   a. Stores with "Gourmet/Specialty Foods" listing
   b. Stores with two or more category buyers.



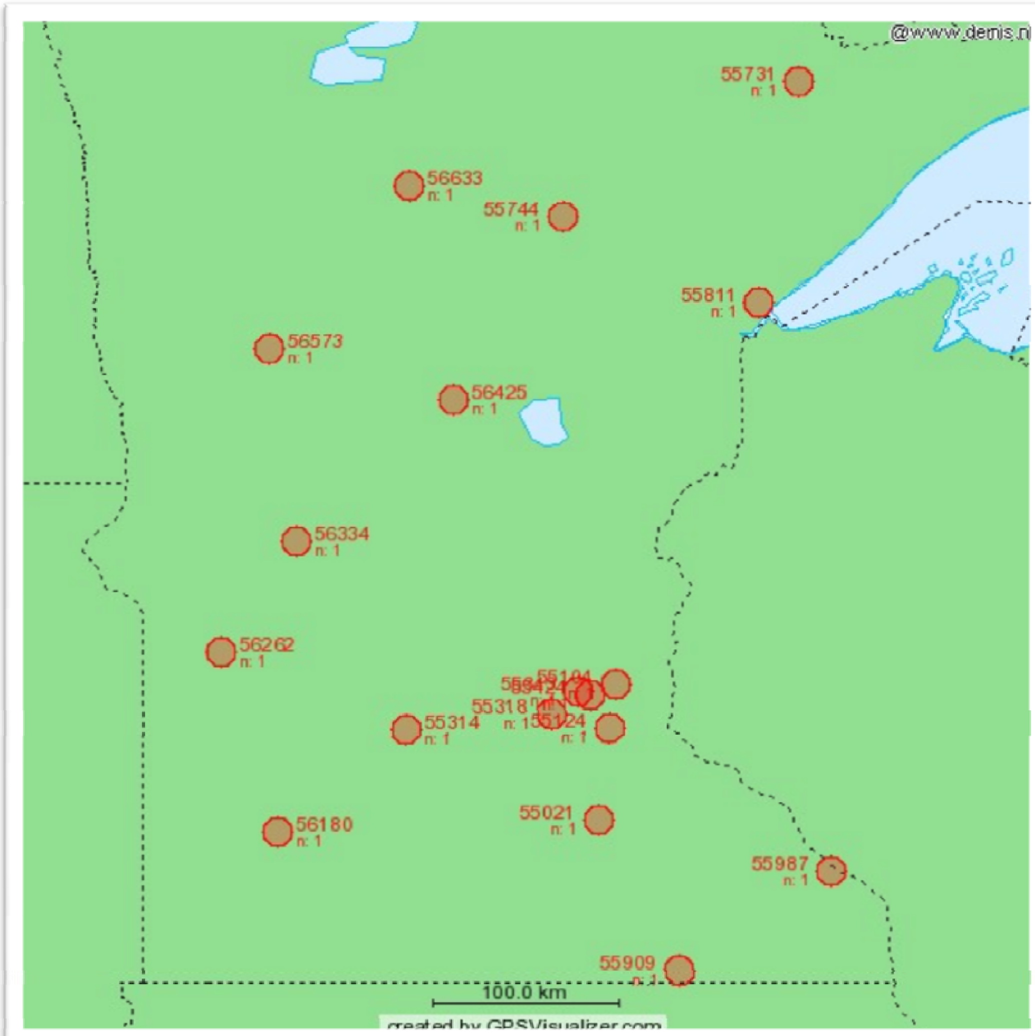
Sample Size and Response Rate

	All Stores	Chains	Single Stores	All TC Stores	All Non-TC 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%

Survey Respondents by Zip Code: Single Stores



Survey Respondents by Zip Code: Chain Stores



Survey Results: Organic Sales

Q1: In 2006, did your store sell any certified organic food items?

	All Stores (% of total)	**Chains** (% of total)	**Single Stores** (% of total)	**All TC Stores** (% of total)	**All Non-TC Stores** (% of total)
Yes	68 (79)	16 (84)	52 (78)	23 (92)	45 (74)
No	18 (21)	3 (16)	15 (22)	2 (8)	16 (26)
Total	86	19	67	25	61

Survey Results: Organic Sales

Q4. (If NO to Q1) Do you think your store will offer certified organic food items in the next 1-5 years?

	All Stores	Chains	Single Stores	All TC Stores	All Non-TC Stores
Yes	4	0	4	0	4
No	11	2	8	2	9
Maybe/ Depends	1	0	1	0	1
DK	2	0	2	0	2
Total	18	2	15	2	16

Survey Results: Organic Sales

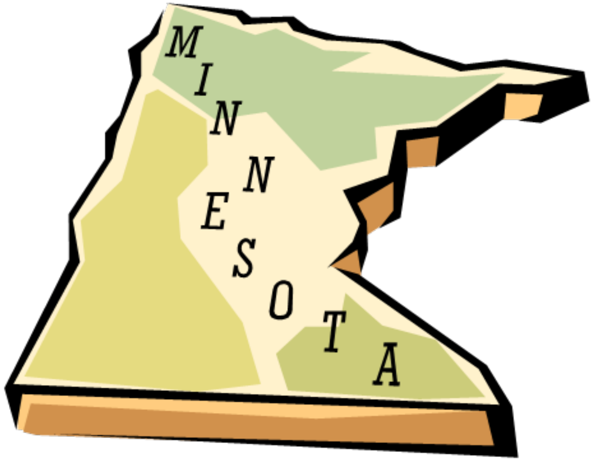
Q8. (If YES to Q1) What percent of total sales in 2006 came from certified organic food items?

	All Stores	Chains	Single Stores	All TC Stores	All Non-TC Stores
1% or less	38	12	26	9	29
2-5 %	10	1	9	4	6
6 -25%	4	0	4	0	4
26 -50%	6	0	6	4	2
51 -75%	3	0	3	1	2
75-99 %	0	0	0	0	0
100%	0	0	0	0	0
DK	7	3	4	5	2
Total	68	16	52	23	45

Survey Results: Organic Sales

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

Survey Results: Organic Sales

Q9. In 2006, what were the top three organic food items at your store based on sales volume?

	All Stores	Chains	Single Stores	All TC Stores	All Non-TC Stores
#1	Milk	Milk	Milk	Bananas	Milk
#2	Carrots	Carrots	Carrots	Milk	Carrots
#3	Bananas	Strawberries, Broccoli, Bananas	Lettuce, Apples	Carrots	Lettuce

Survey Results: Organic Sales

Q10. Did your store have a shortage of any organic food items in 2006?

	All Stores	Chains	Single Stores	All TC Stores	All Non-TC Stores
Yes	13	4	9	7	6
Yes, at least one was critical	3	0	3	0	3
No	49	11	38	14	35
DK	3	1	2	2	1
Total	68	16	52	23	45

Survey Results: Sales Outlook

Q11. In the next 1-5 years, do you expect the sale of organic food items at your store to __________

	All Stores (% of total)	Chains (% of total)	Single Stores (% of total)	All TC Stores (% of total)	All Non-TC Stores (% of total)
Increase >50%	15 (22)	6 (38)	9 (17)	4 (17)	11 (24)
Increase 25-50%	21 (31)	6 (38)	15 (29)	8 (35)	13 (29)
Increase <25%	24 (35)	3 (19)	21 (40)	11(48)	13 (29)
Stay about the same	6 (9)	1 (6)	5 (10)	0	6 (13)
Decrease <25%	1 (1)	0	1 (2)	0	1 (2)
Decrease 25-50%	0	0	0	0	0
Decrease >50%	1 (1)	0	1 (2)	0	1 (2)
DK	0	0	0	0	0
Total	68	16	52	23	45

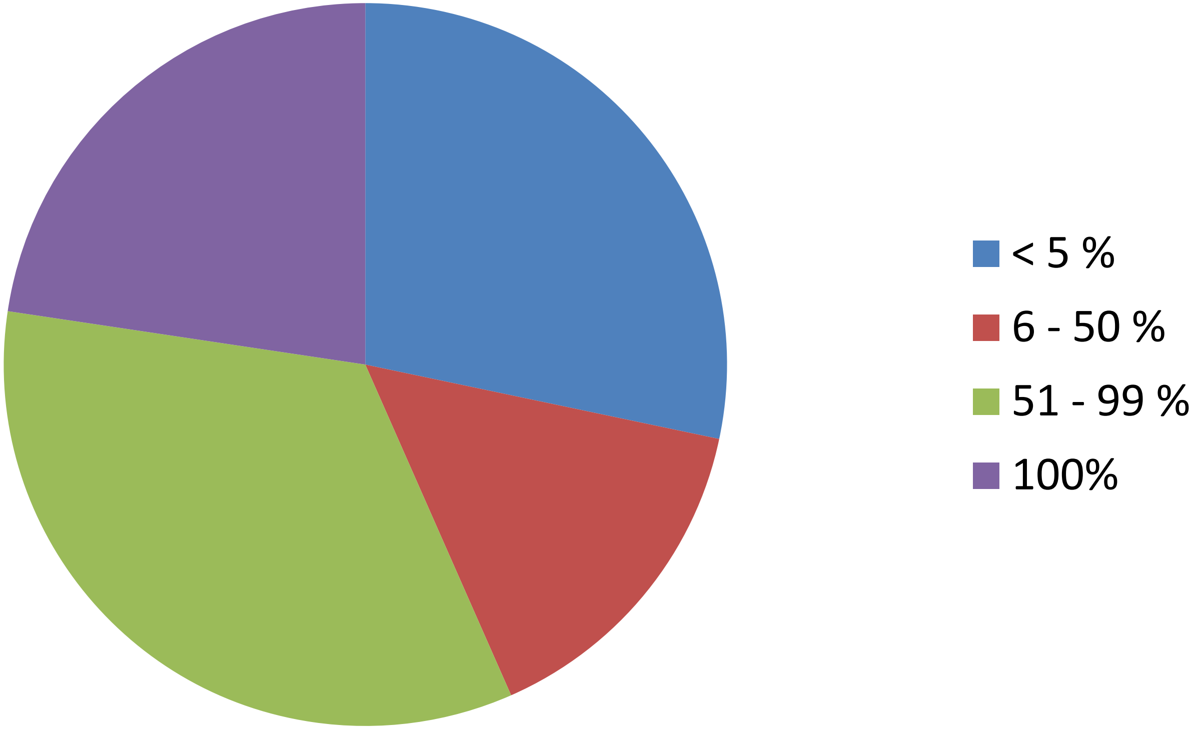
Survey Results: Category Sales

Q12. Did your store sell organic food items in any of the following departments in 2006?

	All Stores (% of total)	Chains (% of total)	Single Stores (% of total)	All TC Stores (% of total)	All Non-TC Stores (% of total)
Produce: Yes	57 (84)	14 (88)	43 (83)	20 (87)	37 (82)
Produce: No	11 (16)	2 (13)	9 (17)	3 (13)	8(18)
Produce: Total	68	16	52	23	45
Meat: Yes	29 (43)	8 (50)	21 (40)	13 (57)	16 (36)
Meat: No	38 (56)	7 (44)	31 (60)	9 (39)	29 (64)
Meat: Total	68	16	52	23	45
Dairy: Yes	56 (82)	13 ((81)	43 (83)	22 (96)	34 (76)
Dairy: No	14 (21)	3 (19)	9 (28)	1 (4)	11 (24)
Dairy: Total	68	16	52	23	45

Produce Sourcing

Percent of Produce Sourced From *Outside* MN & Surrounding States



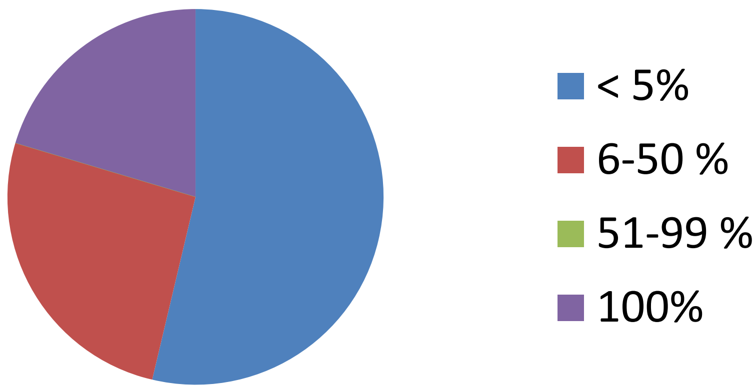
Survey Results: Produce Suppliers

QB1. In 2006, what percent of your department's organic produce came from Minnesota suppliers?

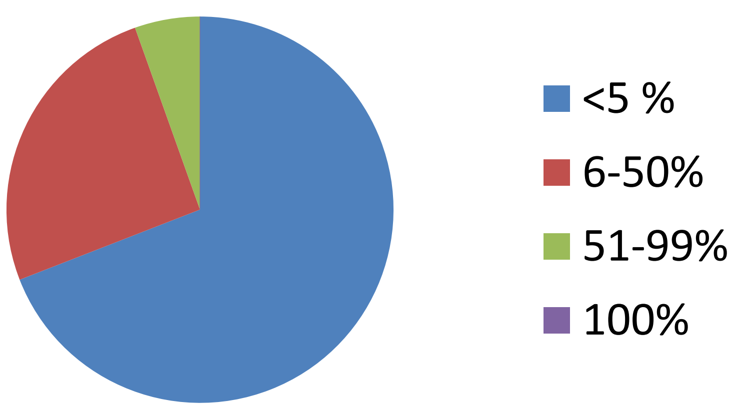
	All Stores	All TC Stores	All Non-TC Stores
1% or less	20	5	15
2-5 %	9	4	5
6 -25%	9	5	4
26 -50%	5	1	4
51 -75%	0	0	0
75-99 %	0	0	0
100%	11	5	6
DK	2	0	2
Total	56	20	36

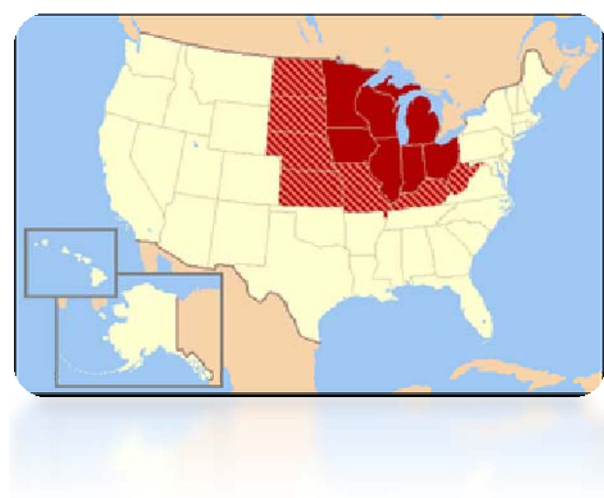
Produce Sourcing

Percent of Produce Sourced From Minnesota



Percent of Produce Sourced from Surrounding States





Survey Results: Why MN Suppliers?

	All Stores (% of total)	**All TC Stores**	**All Non-TC Stores**
Company philosophy	26 (67)	13	13
Customer demand	26 (67)	12	14
Product freshness/quality	31 (79)	15	16
Distribution or transportation advantages	30 (77)	10	20
To support the local economy	31 (79)	14	17
Price	13 (33)	6	7
The availability of product that store needed	29 (74)	11	18
Other	4 (10)	1	3
Total	39	16	23

Survey Results: Sourcing

QB4. For organic produce items that your department purchased from Minnesota suppliers, did you source these items ______________:

	All Stores (% of total)	All TC Stores	All Non-TC Stores
Direct from farmers	23 (59)	10	13
Direct from manufacturers or processors	8 (21)	2	6
Through a wholesaler, distributor, broker	36 (92)	14	22
Some other way	0	0	0
DK	1		
Total	39	16	23

Survey Results: Sourcing

Q. B23 What were the reasons you choose not to source direct from farmers in 2006?

	All Stores	All TC Stores	All Non-TC Stores
Company policy	5	3	2
Contractual obligations with other suppliers	4	1	3
Regulatory barriers	4	2	2
Other	23	7	16
Total	33	10	23

Other =

Survey Results: Connecting with Minnesota Farmers

QB9. How did you identify or locate the farmers who supplied the organic produce that your department purchased?

	All Stores	All TC Stores	All Non-TC Stores
Farmers market	0	0	0
Word-of-mouth	2	2	0
MN Grown directory/website	1	0	1
Conference/Trade shows	1	1	0
Web or Internet search	1	0	1
Farmer contacted store	18	8	10
Other	4	3	1
DK	1	1	0
Total	23	10	13

Survey Results: Connecting with Minnesota Farmers

QB10. Would you prefer that farmers contact you directly when marketing organic produce?

	All Stores	All TC Stores	All Non-TC Stores
Yes	16	7	9
No	6	2	4
DK	1	1	0
Total	23	10	13

Survey Results: Sourcing Preferences

QB15. In 2006, when you purchased organic produce direct from farmers did you REQUEST any of the following?

	All Stores	All TC Stores	All Non-TC Stores
Price sheet	12	8	4
Copy of liability insurance policy	1	1	0
Copy of organic certification	15	9	6
Uniform product standards	4	2	2
Product samples	11	7	4
Testing to verify claims	4	2	2
Delivery schedule	13	8	5
Point of purchase material, such as literature about farm	19	10	9
Anything else	3	3	0
Total	23	10	13

Survey Results: Sourcing Preferences

QB16. In 2006, when you purchased organic produce direct from farmers did you request product labeling?

	All Stores	All TC Stores	All Non-TC Stores
Yes	12	5	7
No	11	5	6
DK	0	0	0
Total	23	10	13

Survey Results: Sourcing Preferences

Labeling requested by more than half of survey respondents:

- USDA Certified Organic seal
- Organic certifiers logo
- Traceability label or lot code
- PLU or UPC stickers (for scanning)

Survey Results: Sourcing Preferences

QB18. In what way did your store get most of its organic produce from farmers in 2006 (choose one):

	All Stores	All TC Stores	All Non-TC Stores
Formal contract	1	1	0
Informal contract	15	7	8
Spot purchases	6	1	5
Other	0	1	0
DK	1	0	0
Total	23	10	13

Survey Results: Contracting

QB19. Did you use a (formal written contract or informal contract) to (check all that apply):

	All Stores	All TC Stores	All Non-TC Stores
Ensure store received consistent quality	11	5	6
Keep costs low	5	1	4
Obtain products that were limited in supply	10	5	5
Encourage farmers' transition to organic	6	3	3
Stabilize costs	7	2	5
Company policy to use contracts	1	0	1
Other	6	4	2
Total	16	8	8

Survey Results: Contracting

QB20. In 2006 did your department terminate any contracts with farmers or refuse any organic produce?

	All Stores	All TC Stores	All Non-TC Stores
Yes	4	1	3
No	19	9	10
DK	0	0	0
Total	23	10	13

Terminated Contracts: Mainly due to "unsatisfactory quality."

Survey Results: Problems Sourcing Direct from MN Farmers

QB11. In 2006 did you REGULARLY encounter any of the following problems when purchasing direct from organic farmers?

	All Stores	All TC Stores	All Non-TC Stores
Insufficient volume	13	6	7
Limited variety	8	4	4
Poor quality/handling	4	0	4
Inconsistent grading or packaging	5	1	4
Distribution or transportation disadvantages	11	5	6
Products only available seasonally	19	7	12
Prices were not competitive	2	1	1
Poor communication	6	2	4
Other	0	0	0
Total	23	10	13

Survey Results: Buyer Suggestions

QB22. In the future, what can farmers do to better serve your needs as a buyer of organic food items?

<u>Communication</u>

- Farmers market/advertise for more availability. Get products out there so store can easily see what's available.
- Let the store know about any new products coming out.
- Communication – let us know if crops fail, provide more information for consumers about the products and their farms.
- Be organized with product selection and pricing so it doesn't have to be negotiated from the ground up. Also prefer written invoices.
- Consistent availability lists.
- Keep communication levels good.

Survey Results: Buyer Suggestions

QB22. In the future, what can farmers do to better serve your needs as a buyer of organic food items?

<u>Distribution</u>

- Work with our supplier instead of direct
- Go through a warehouse
- Consistent in their deliveries
- Deliveries on time with quality goods
- Delivery, give me more notice before delivering items
- Check the quality of their goods before delivering them
- Organized distribution system
- Delivery. If I had someone call before they delivered goods. It’s hard to get an unexpected delivery.

Survey Results: Buyer Suggestions

QB26. What other resources would be helpful to your department for obtaining and marketing local organic food products?

<u>Advertising</u>

- Point of purchase materials (5)
- More advertising
- Display – how to display the items
- Farmer demonstrations. Farmers just coming into our store so we have a more direct relationship
- General information about organic food (3)
  - Any information you have for customers
  - Information consumers can read about organic foods
  - Just getting people to know why – maybe samples but mostly literature

Take Home Ideas

Retail opportunities exist for Minnesota's organic produce growers in metro and non-metro areas.

- **Top selling products** are those that MN farmers can produce seasonally and year-round.
- Retailers throughout Minnesota expect **significant growth** over the next 1-5 years.
- Minnesota's farmers are competitive on price.
- Retailers are interested in **buying local organic** direct from farmers.
- Retailers prefer that farmers **contact the store.**
- Farmers encouraged to inquire about "shortage items," offer price sheet, delivery schedule and **point-of-purchase** materials.
- Retailers offer informal contracts to secure supply.
- Opportunities exist for **season extension** – retailers cited "seasonality" as the number one issue precluding more local purchases.