Introduction

Burgeoning consumer interest in organically grown foods has opened new market opportunities for producers and is leading to a transformation in the organic foods industry. Once a niche product sold in a limited number of retail outlets, organic foods are currently sold in a wide variety of venues including farmers markets, natural product supermarkets, conventional supermarkets, and club stores. Many U.S. manufacturers and distributors are specializing in processing and marketing organic products, while some longtime manufacturers of conventional products have introduced organic items to their product lines. As a result, an ever-widening array of organic agricultural and food products is now available. Growing consumer demand for organic products has been manifested in the market in many ways. Acreage of certified organic farmland is increasing to meet growing consumer demand. According to the most recent USDA estimates, U.S. certified organic cropland doubled between 1992 and 1997, to 1.3 million acres. Preliminary estimates for 2001 suggest that certified organic acreage significantly increased between 1997 and 2001. From the consumer side, new products are being introduced rapidly. For example, over 800 new organic products were introduced in the first half of 2000. Desserts made up the majority of new products in 2000, while most new products introduced in 1999 were beverages (Myers and Rorie).

Marketplace Characteristics of U.S. Organic Sector

The U.S. organic food industry crossed a threshold in 2000: for the first time, more organic food was purchased in conventional supermarkets than in any other venue. Industry estimates suggest that nearly half of the $7.8 billion spent on organic food in 2000 was purchased in conventional retail outlets. Organic products are now available in nearly 20,000 natural foods stores (Natural Foods Merchandiser), and are sold in 73 percent of all conventional grocery stores (Food Marketing Institute).

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The new U.S. Department of Agriculture standards for organic food, slated to be fully implemented by October 2002, are expected to facilitate further growth in the organic foods industry. The USDA standard defines organic production as “A production system that is managed in accordance with the [Organic Foods Production] Act and regulations in this part to respond to site-specific conditions by integrating cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity.” The national organic standards address the methods, practices, and substances used in producing and handling crops, livestock, and processed agricultural products. All agricultural products that are sold, labeled, or represented as organic must be in compliance with the regulations after October 2002.

Organic food is sold to consumers through three main venues in the United States—natural foods stores, conventional grocery stores, and direct-to-consumer markets—and a small amount is exported to foreign markets. USDA does not have national statistics on organic retail sales. Industry sources have reported retail sales for organic food, but those data are fragmentary and, at times, incon-