



# A GROWING CONCERN

Increasing interest in organic foods could eventually mean big business for food producers, if they stay the course

BY TREENA HEIN

Someday in the not too distant future, a customer might stop for his or her routine visit to the local Tim Hortons and bite into the company's very first organic doughnut. While that day may mark the moment when organic products truly enter the collective Canadian consciousness, many would argue they already have. After all, you can purchase organics at any grocery store, pet food store or Wal-Mart, and even McDonald's now serves organic coffee.

Marion Chan, director of Food and Beverages at Toronto-based The NPD Group, Inc., says that for food companies, "Organics are becoming a way of differentiating their main product line with a premium line." Heavy-hitters like Kraft and General Mills are building on the success of some of their best-selling products by investigating the creation of organic counterparts for these items. For example, in June, Brantford, Ont.-based Strubs Canada added organic pickles to its main line of all-natural pickles made without artificial preservatives. In addition, large companies are preparing to purchase existing organic name brands.

One reason for the renewed interest in organic lines is the growth of organic sales in Canada, which currently increases 15 to 20 per cent per year. However, that number could be

even higher if several factors improved – the most powerful being price. Chan notes that "59 per cent of Canadians still believe organics are too expensive" and that sales would rise if prices were lowered, a trend that is already occurring. "The price for organic products has come down substantially in many grocery stores," says Chan, "and this explains the gains in weekly penetration going from 2.4 per cent to 6.9 per cent in a single year."

Paul Uys, vice-president of Product Development for Brampton, Ont.-based President's Choice Organics (PC), is well aware that there are limits to what consumers will pay for their products. PC is the largest organic producer by far in Canada, having launched 28 products in 2000 and expanded to a current 250, with plans to add about 60 more by 2007. While PC has found enormous success with organic products, a few have been failures. One of these was meat – precisely because of the 100- to 200-per-cent premium over non-organic cuts. Uys believes the only way to deliver organic meat at a reasonable price is to offer it in frozen form, "but that doesn't mesh with the organic image," he says.

According to Chan, the recent penetration increase due to lower prices has "come primarily from fruits and vegetables,"

something Uys agrees with. "One of the key areas [for us] is produce," he says. "We don't seem to be able to get enough." The easiest way to decrease price is always to increase volume, and Uys believes this will have a significant impact on future organic sales. "As we get more volume, and we are seeing this even in produce, we can get organic products to market with little or no premium," he explains. In addition to increasing the quantity and selection of organic produce available to consumers, PC is also currently focusing on generating organic seafood and aquaculture products, baby food and food for young children.

But Uys admits there have been challenges, especially at the start, "as not many manufacturers were involved," he says. "We have had to work with existing vendors to get them certified." Uys also notes that there is a three-year transition period, which can discourage some farmers from making the switch, along with other issues such as potentially smaller yields.

Incoming Canadian regulations will add further challenges to the supply of organic produce. The "Canadian Organic Standard" is currently under legal review, and will then enter another consultation phase before becoming law in 2007. It will contain two parts, general principals and management practices, as well as a revised approved substance list. This latter component is already a sore spot with most Canadian wineries currently claiming to produce organic wine, since sulphite – used almost universally in the wine-

making process – will not be added to the list of approved substances. This means that once the law is passed next year wineries that label their wine organic (or call themselves organic wineries) will have to either find an alternative to sulphites or label their wine "made with organic grapes."

Frogpond Farm, which calls itself "the only certified organic winery in Ontario," produced its first organic wine in Niagara-on-the-Lake in 2001, and opened its own retail store in 2004. "We are aware of this problem and don't agree," says owner Heike Koch of the incoming regulations. "We don't think we can make a good-quality wine without

### Estimated Value and Destination of Canadian Organic Food Exports

Commodity	Value (\$M)	USA	EU	Japan
Wheat	\$14	25%	73%	–
Flax	\$6	41%	44%	–
Peas	\$9	42%	53%	–
Soybeans	\$4	10%	43%	38%
Spelt	\$3	17%	83%	–
Grains total	\$40	41%	–	5%
Apples	\$3	96%	–	–
Vegetables	\$2	100%	–	–
Maple Syrup	\$7	57%	30%	13%
Processed Food	\$10	–	–	–

(Source: "Certified Organic" The Status of the Canadian Organic Market in 2003, Macey 2004.

[http://www.agr.gc.ca/misb/hort/org-bio/pdf/OrganicsREPORT2003\\_e.pdf](http://www.agr.gc.ca/misb/hort/org-bio/pdf/OrganicsREPORT2003_e.pdf)

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using any sulphur...Organic wines from European countries like France and Germany are allowed to contain sulphites." Koch adds that "sulphites are a natural by-product of fermentation and there is no such thing as a sulphur-free wine." On the other hand, Hainle Winery of Peachland, B.C. has never used sulphites in its wine, and will continue to be able to label its wine as organic.

Research on the nutritional value of organic products will also eventually change the purchasing decision for consumers, but likely not for some time. Several recent studies, for example, point to organic produce on the whole as being more nutritious than non-organics, and depending on the product, potentially containing more vitamin C, antioxidants and minerals. Food companies are approaching this information with extreme caution, however, particularly when it comes to marketing. This is because even if studies find, for example, that organic oranges are higher in nutrients than non-organic, there could be non-related factors, such as soil content, that have caused that difference. The bottom line? Even if certain organic products are more nutritious than conventional ones, studies such as these are virtually meaningless to the consumer unless scientists have compared the exact organic and non-organic products sitting side by side at that consumer's particular grocery store at that particular point in time.

While organic producers are aware of the recent studies, they will generally continue to market their products on the basis of taste, a healthy image and environmental sustainability. "We are very cautious of not damning the principal products that are out there," says Uys. That means that for the time being, organic marketing will remain much as it always has, touting the benefits of pesticide- and antibiotic-free products, in an effort to convince consumers that organics are worth the price difference.

That may be an uphill battle, especially since Chan says only 15 per cent of Canadians now believe organics are more nutritious than regular foods.

#### ON THE LABEL

Any product labelled "organic" contains at least 95 per cent organic agricultural products – the other five per cent must be ingredients from an approved list. Manufactured products labelled "Made with Organic..." may contain anywhere from 70 to 95 per cent organic products. If products contain less than 70 per cent, the word organic can only be used in the ingredient list labelling.

And, she adds, because a vast majority of consumers today do not believe

they're missing out on nutritional value if they choose non-organics, "coupled with the prohibitive pricing for the average consumer," growth in the category will eventually slow. But, she notes, "If more products, more marketing of the benefits and a flattening of prices is possible, this could certainly be a very high-growth category for the years to come." [FC]

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