

Organic foods grow in popularity

Sales top \$14.6 billion last year, an increase of 17% from the previous year.

By Robert Rodriguez

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This week's move by the state's largest dairy cooperative to halt the use of a production-boosting hormone is the latest evidence of the growing clout of organic foods.

"I just don't like the idea of those hormones," said Rose Rowe of Fresno. "I just have this inside feeling that it can't be good."

Although Rowe, 75, acknowledged that she's heard plenty from the defenders of the synthetic hormone known as rBST, recombinant bovine somatotropin, she prefers organic food.

"And I know there are others out there who believe the same," she said.

Rowe is right.

One of the strongest forces shaping the choices made by farmers, grocery store chains and food producers is the boom in the organic food market. These days, shoppers like Rowe, who has been buying organic food for more than two decades, are joined by families and young shoppers.

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Organic: Fresno Co. acreage nearly doubles between '99, '05

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Sales of organic products topped \$14.6 billion last year, an increase of 17% from the previous year. Within that segment, organic foods grew by 16% and accounted for \$13.8 billion in sales.

Organic foods represented 2.5% of total U.S. food sales, rising from 0.8% in 1997.

And in Fresno County, the nation's leading agricultural region, organic farming acreage nearly doubled from 6,804 acres in 1999 to 13,229 in 2005, reaching a production value of \$25 million.

While it began as a fringe movement, today "a significant portion of the population has a preference for natural food," said Ely Dahan, assistant professor of marketing at the University of California at Los Angeles' Anderson School of Management. "They're in the mainstream," if not in the majority, he said.

Organic farmer Tom Willey, whose operation is based in Madera, has seen a rapid rise in the number of his customers. Willey provides fresh organic produce to more than 650 people in the central San Joaquin Valley who belong to his subscription-based food outlet known as community-supported agriculture.

"We started five years ago with only about 20 people," Willey said. "People are really putting their dollars down on a different kind of food system."

Willey said he wasn't surprised to hear that California Dairies Inc. of Visalia chose to stop processing milk from cows given the growth hormone.

"I think they lost some of their customers to the organic market, and they are trying to get them back," Willey said.

The cooperative produces 43% of the milk sold in the state and has 550 San Joaquin Valley members with dairies from Stockton to Bakersfield. Statewide, it represents 650 dairy operators.

California Dairies Inc.'s president and CEO, Richard Cotta, said earlier this week: "We've got more demand for that [rBST-free] product than we can get to market with."

Christine Bruhn, University of California food marketing specialist and director for the Center for Consumer Research, said

Growth in the organic food market

Year	Sales (million)	Growth	Total food sales (million)	Organic penetration
1997	\$3,594	NA	\$443,790	0.81%
1998	\$4,286	19.2%	\$454,140	0.94%
1999	\$5,039	17.6%	\$474,790	1.06%
2000	\$6,100	21%	\$498,380	1.22%
2001	\$7,360	20.7%	\$521,830	1.41%
2002	\$8,635	17.3%	\$530,612	1.63%
2003	\$10,381	20.2%	\$535,406	1.94%
2004	\$11,902	14.6%	\$544,141	2.19%
2005	\$13,831	16.2%	\$556,791	2.48%

Source: Organic Trade Association

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that while consumers are becoming more aware of the ingredients in the food they eat, she doesn't believe rBST and other specific farming practices top their list of concerns.

"I have asked people in the grocery store why they are buying milk with the rBST-free label, and they aren't always aware its even on there," Bruhn said. "Some have even told me that they are choosing it because they like the way the dairy treats its animals."

Bruhn said she believes dropping rBST has as much to do with marketing and competition as anything else.

"Some [companies] are trying to create a difference in their product when none really exists," she said. "They want that edge."

Daniel Sumner, director of UC's Agricultural Issues Center and an economist, said that while it's debatable how much consumers care about rBST, one thing that's not in dispute is the attention the organic industry has captured from the major grocery store chains.

"There were people who thought the growth [rate] would peak out at 3%," Sumner said. "And now those people have had to revise those notions."

Major grocery store chains, including Wal-Mart, have increased their share of organic products or placed them on shelves for the first time.

Save Mart spokeswoman Alicia Rockwell

said the Modesto-based chain responded to customers' requests for organic food several years ago with a natural foods selection and has recently added a organic-produce section.

Rockwell said stores such as Whole Foods Market, the nation's largest retailer of natural organic foods with 155 locations, have added competition.

"You are always going to have a front-runner, and that is their niche," Rockwell said. "But what we are doing is meeting the needs our customers have expressed an interest in. Consumer demand is a huge driver, and we won't be the only ones who will be doing this."

"Any grocery store chain would

be responsive to that."

Organics have shifted from niche product to mainstream, UCLA's Dahan said.

"A big inflection point was the emergence of Whole Foods, which at first was considered a tangential, minor part of the supermarket business, but has grown dramatically," he said.

At Kristina's Natural Ranch Market in Fresno, owner Jim Belcher has developed a loyal following of organic shoppers. He has been selling organic products for nearly 30 years and witnessed the rise in the industry.

"We have people who have been with us for 28 years, but we also now have teachers from Hoover High School, professors from Fresno State and young customers with their babies," Belcher said.

Although Belcher lost nearly 25% of his customers when Whole Foods Market opened in Fig Garden Village several years ago, he said he already has made up the difference with new customers.

"We used to be a tiny little store in our shopping center, and now we are a 5,000-square-foot store," Belcher said. "This is not something that is going away. This really is the way it should be."

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