Growth Prospects in the Global Organic Food Industry

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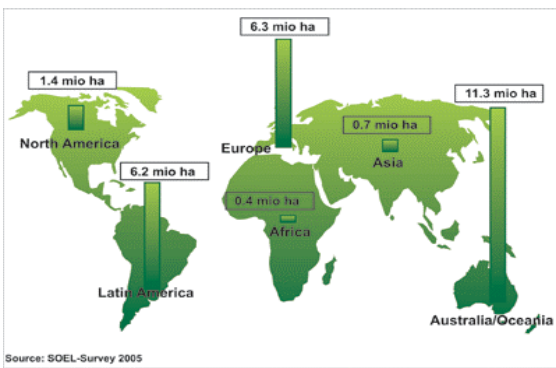
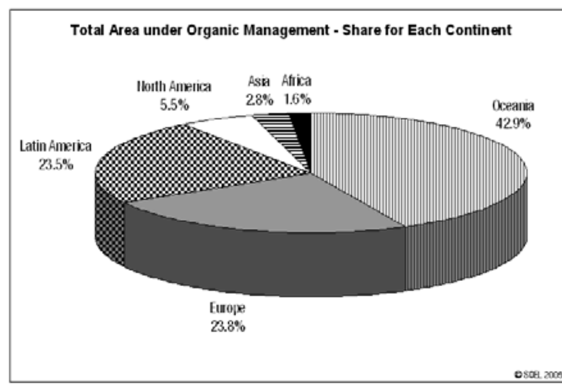
Organic Trade Association

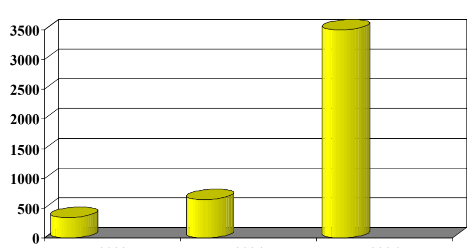
Forces Driving Organic Growth Worldwide

- Greater availability
- Improved taste and quality
- National organic standards
- Larger companies entering the market
- More competitive pricing
- Financial investments in organic companies.
- Intensified media coverage of organic

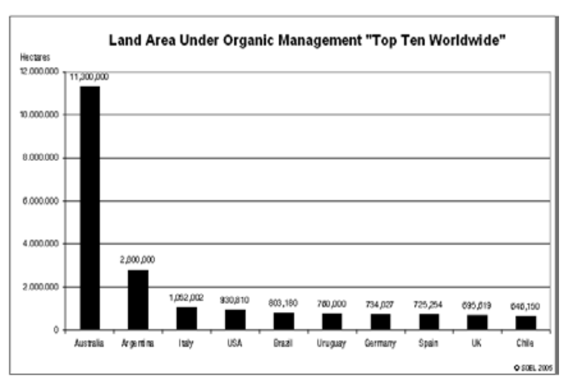




Organic Hectares in China



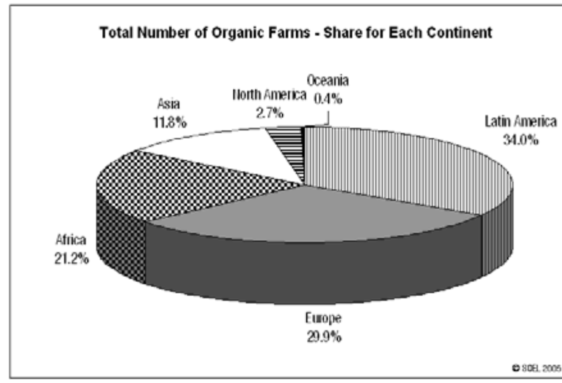
Source: OFCC 2004 & IFOAM 2006



Organic Farming and Developing Countries

- Achieve higher earnings and better standard of living
- Reduces the health risks posed by costly chemical pesticides and fertilizers
- Benefits the environment with improved soil management
- Offers employment opportunities
- Need access to technical and market information

Source: IFAD workshop 2004



Organic and the new global trade paradigm

New consumer environment

- Health, food safety, social, and environmental concerns

New business environment

- Competitiveness, efficiency, reputation, new technologies = more standards

New public sector environment

- Avian flu, bioterror rules, GMO, mad cow, private standards … …less able to keep up

Source: OFCC

U.S. and EU Approach to Organic Sector

- U.S. Free Market: policies that facilitate market development
- Positive impact on soil quality and erosion
- Differentiated product available to consumer

- EU conversion subsidies and direct payments to farmers
- Organic delivers environmental, social and other benefits to society
- Infant industry that needs support

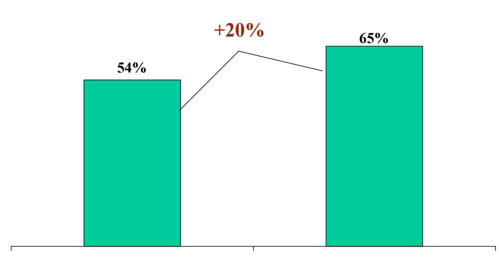
Source: ERS Outlook Report, 2005

Market Challenges for U.S. Farmers

- Finding a market which will pay value-added costs of organic products
- Growing enough product to meet demand for organic products
- Meeting the standards of processors
- Delivery and storage issues
- Uniformity of rules:U.S., EU, Japan

Source: Survey of Iowa Farmers 2004

U.S. Population Claim to Have Purchased an Organic Product



Source: Whole Foods Market Nationwide Survey,Fall 2005

Reasons for Purchasing Organic

- Avoid products that rely on pesticides, other chemicals, antibiotics and growth hormones
- Avoid genetically modified foods (core)
- Support the environment
- Try new products (periphery)
- 41% of organic users convince others to purchase
- Health triggers: having children, health conditions of friends and family

U.S. Wholesale Sales 2005

- 933 companies total
- 10 companies sell more than $100M totaling $2,076M
- 488 companies sell less than $1M totaling $164M
- Sales of unpackaged product $2,195M
- Wholesale Private Label sales $882M
- Total wholesale sales: $8,925M

Source: OTA 2006 Manufacturer Survey

Retail Organic Sales in the European Union

- In 2004 total of $15B
- By country: total sales
  Germany - $4.2B
  UK and France - $1.4-$2B
  Italy - $2.9B
- By country: penetration
  Denmark – 2.5-3.0%
  Austria – 2%
  Germany – 2.5%

U.S. Export & Import Sales

- Exports: $125-$250M annually
  Soybeans, food ingredients, fruit juice,
  frozen vegetables, dried fruit to
  Canada, Japan, EU, Taiwan, South Korea, New Zealand and Australia
- Imports: $1-1.5B annually

Factors Favoring Strong Organic Food Sales Growth

- Government standards that clearly characterize the meaning of the term "organic," and labeling that helps consumers identify those products.
- Greater accessibility of organic food through conventional retail channels.
- Growing consumer awareness of food production and desire for alternative choices

Factors Opposing Strong Organic Food Sales Growth

- Lack of dependable supply of organic raw materials limits sales.
- Limited scientific evidence supporting the widespread belief that organic foods are safer and more nutritious than those raised by conventional farming methods.
- Organic foods will have to compete based on price in traditional retail channels.

For more information, contact OTA at (413) 774-7511, or visit OTA's web site at www.ota.com

Attend "All Things Organic" OTA's Conference and Trade Show, May 5-8, 2007 McCormick Place, Chicago, IL