Recession-racked shoppers still spend on organics

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Craig Bernier sets up a display of organic popcorn at a Whole Foods store in Raleigh, North Carolina.

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RALEIGH, N.C. — For the past three years, American consumers have been on a shopping diet. They cut nonessentials from their shopping lists. They've made do. They've thought twice before buying.

And yet, they've continued to open their wallets for natural and organic products.

Many shoppers say that natural and organic items remain on their shopping lists because they're concerned about their health, the environment, America's agribusiness — or all three.

It's that dedication that has made organics a bright spot for many retailers and is allowing some to expand, including Trader Joe's, the California-based grocer known for its array of foods without preservatives, additives and other unnatural ingredients and Whole Foods.

The commitment to organics has surprised some who predicted at the onset of the recession that penny-pinching consumers would avoid such higher-priced items .

"I think possibly that a lot of organics are bought by a higher demographic that's a little above average and were not as impacted by the economy as other economic groups," said Brian Todd, president of the Food Institute, a New Jersey group that studies food prices.

Yet despite the ongoing pressure on some shoppers' budgets, the results are clear.

Last year, overall sales for the grocery industry were up a modest 1.8 percent, according to The Food Institute. Yet, sales of organic items more than doubled that rate of growth, up 4.4 percent in the 52 weeks ending Feb. 20, according to Symphony IRI in Chicago.

Shoppers like Kris Kirschbaum are behind those figures.

Kirschbaum lives in Greenville, N.C., but drives to Raleigh once or twice a month to stock up on natural and organic items at Whole Foods.

Kirschbaum, who uses coupons when she shops and says she learned to live frugally when she was a graduate student making $1,000 a month, said a healthful diet is her No. 1 priority.

"It's just a health issue," she said. "This is where I choose to spend."

Part of the reason sales are staying strong is that organic products are more widely available than in the past.

Taking note of the success of chains such as Trader Joe's and Whole Foods, major grocery store chains took a gamble by bulking up on organics rather than holding back. Grocery chains from Harris Teeter to Walmart have added large organic produce sections, amped up the number of locally grown products they offer and added store brand natural and organic items.

That comes on top of a shift in the product manufacturing world, with large consumer product companies from Kraft to Procter & Gamble introducing more natural selections.

Catherine Dameron shops at Lowes Foods, Food Lion and Walmart. She often — though not always — selects organic items.

"If it looks fresh and the price is about the same, I'll do it," she said, shopping at a Raleigh Walmart last week and loading her cart up with bagged spinach, strawberries and other natural foods.

"The quality has improved," she said.

And, Dameron added, it's gotten more affordable.

"Ten years ago, when I started shopping for more fresh fruits and veggies, I noticed my food bill went up probably about 25 percent. Now it's evened out."

The demand for organics is so strong that it is spreading to other areas of the grocery store, particularly health, beauty and cleaning supplies.

Companies like Seventh Generation and Burt's Bees have experienced success with their natural and organic products.

Clorox credited its Burt's Bees line with strengthening its overall results in its quarterly earnings release last month. The company reported a 3 percent decline in overall sales but a 3 percent rise in sales in its lifestyle category, driven largely by Durham-based Burt's Bees products.

Still, some believe demand for natural and organic products may have hit its peak.

Kurt Jetta is president of a Connecticut consumer research firm called the TABS Group. His recent research shows that the percentage of shoppers who bought natural or organic items has remained steady, in the 38 percent to 39 percent range for the past three years.

It's the number of retailers carrying natural and organic items and the number of products each is stocking that adds to the impression that organic sales are exploding.

"All these retailers are getting on board and expanding their sections and having these big offerings," he said. "That's a big explosion in inventory. The retailers have gotten on the hype a bit too much."

Plus, he said, the fact that an item is organic or natural is just not that impressive to shoppers anymore.

"There will always be this real core of committed people," he said. "That's why Whole Foods and similar stores continue to grow," he said. "But we would expect that to turn and retailers to start weeding down."

But some shoppers say they will remain loyal to organics and hope retailers don't trim their offerings.

Melissa Smith of Raleigh said she started buying natural and organic items because her pets had special needs and are sensitive to chemicals, but that the habit has transferred to her family's food purchases as well.

"I grew up on a farm," she said. "We raised our own meats. We grew our own vegetables. All that has stuck with me."

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