

Originally published Thursday, March 17, 2011 at 7:35 PM

Organic, natural products sell strongly despite recession

Whole Foods opened 16 new U.S. stores in the last year,

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Raleigh News and Observer

For the past three years, American consumers have been on a shopping diet. They cut nonessentials from their shopping lists. 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.

That concern has boosted sales of organics for many retailers, allowing some to expand. For example, Whole Foods opened 16 new U.S. stores in the last year, bringing its worldwide total to 304.

Penny-pinching consumers continued to buy organics — often higher priced — even during the recent recession.

Consumers who buy organics "possibly ... were not as impacted by the economy as other economic groups," said Brian Todd, president of the Food Institute, a New Jersey-based group that studies food prices.

Last year, overall grocery industry sales were up a modest 1.8 percent, according to the institute. Sales of organic items were 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., and drives to Raleigh once or twice a month to stock up on natural and organic items at Whole Foods. A healthful diet is her No. 1 priority, she said: "It's just a health issue. This is where I choose to spend."

Part of the reason sales are staying strong is that organic products are increasingly available.

Walmart and grocery chains such as Harris Teeter have added large organic produce sections, amped up the number of locally grown products and added store-brand natural and organic items.

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

Harris Teeter now carries nearly 800 organic items and says the chain has seen "substantial growth" in organic sales over the past few years.

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

Clorox credited its Burt's Bees line with strengthening its overall results in its quarterly earnings released 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, N.C.-based Burt's Bees products.

Still, some believe demand for natural and organic products may have peaked.

Kurt Jetta is president of the TABS Group, a Connecticut consumer research firm. His recent research shows that the percentage of shoppers who bought natural or organic items has remained steady, in the 38 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, shoppers aren't as impressed by organic or natural 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."

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 are sensitive to chemicals.

"I grew up on a farm," she said. "We raised our own meats. We grew our own vegetables. All that has stuck with me. Yes, it may be a little bit more, but it's worth it."

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