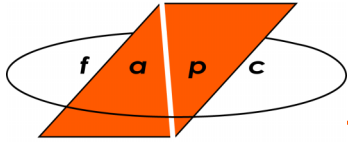


Food and Agricultural Products Center



FLASH!!

May 16, 2003

Consumers Demand Quality, Convenience

STILLWATER, Okla. – New data shows consumer trends change with the economy, resulting in price- and quality-conscious buying decisions.

The Food Marketing Institute recently highlighted food trends that should be considered as food businesses develop, market and sell new products, said Roy Escoubas, Oklahoma Food and Agricultural Products Research and Technology Center director.

“Interest in nutrition continues to increase,” he said. “Also, a keen awareness of the issues of food safety is growing in the minds of consumers.”

Data show a parallel importance to consumers of economy and quality. Increased coupon clipping and price-comparison shopping occurred in 2001, as well as a demand on high quality produce and meats, safe and clean stores, correctly marked products, courteous and friendly employees and conveniently located stores.

“The grocery store must be sensitive to a demanding shopper, and the food product manufacturer must be equally sensitive to trends in purchasing,” Escoubas said.

The FMI identified four key trends in consumer food buying. The first of these trends is the continued rise in the Hispanic population.

Information shows there are more than 35 million Hispanics living in America. This segment of society is expected to grow by more than 35 percent in the next seven years. The Hispanic population in Okla-

homa accounts for approximately 18,000 residents or 5.2 percent of the total state population.

The second trend relates to consumers eating at home, but not cooking, Escoubas said.

“An Industrial Research Institute study showed 85 percent of consumers ate meals at home not prepared from scratch in 2002, compared to 74 percent in 2001,” he said. “FMI data showed retail food sales continue to exceed restaurant sales.”

The third trend is convenience. This has become so central to new product success that food marketers see convenience as a necessity, not an option, Escoubas said. To pass the repeated purchase test, new food products must cater to an on-the-go lifestyle.

The final trend relates to health and longevity. Food marketers report that products must be perceived as being healthful or beneficial to the quality of life. One of the rising health and longevity trends is organic, Escoubas said.

“The organic interest has cut across all food areas,” he said. “Market research estimates U.S. organic food and beverage sales were more than \$9 billion in 2001, accounting for about two percent of total food sales.”

Fresh produce is the top selling organic product category, followed by beverages, breads and grains, packaged foods and dairy foods. Organic meat sales appear to be a rapidly growing category, accounting for approximately three percent of total organic food sales in 2001.

Price premiums vary widely in comparisons of organic versus traditionally grown and harvested foods, but generally the price is substantially higher for organic food products.

Gross margin comparisons between organic versus traditionally grown, harvested and processed food products are inconsistent. However, USDA and trade group studies have shown there may be opportunities for greater profitability of well managed organic versus traditionally grown and harvested food businesses, Escoubas said.

“The organic food demand opens a niche market for rural and urban entrepreneurs in Oklahoma when this information is considered,” he said. “There are reasonable business growth opportunities in organic farming in Oklahoma.”

The USDA Economic Research Service has shown there are more than 3,900 acres of certified organic farmland in Oklahoma, ranking the state 34th in total organic acreage in the United States in 2001.

The USDA Economic Research Service and the National Organic Standards Board offer excellent reference material for entrepreneurs to increase their understanding of certification, production and marketing requirements. These materials may be found at www.ers.usda.gov and www.ams.usda.gov.

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