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**Organic produce outperforming conventional during pandemic**

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By

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A panel of experts reported that organic produce is outperforming the conventional produce category at retail during the pandemic.

Speaking at the Organics LIVE general session that took place during the virtual United Fresh LIVE! produce show on Wednesday, June 17, panelists Brian Kocher, president and CEO of the Castellini Group of Companies in Cincinnati said that almost all produce experienced a well-publicized spike in demand when shelter-in-place orders began to be rolled out across the country. Consumers were hoarding and were especially grabbing hardware produce items like potatoes and onions.

But Kocher said that while the demand for conventional produce leveled off after that initial surge, the same was not true for organics. "Organic demand has never wavered," he said, speaking of the three months following the mid-March shutdowns.

Fellow panelist Jerry Callahan, Albertsons group vice president of produce and floral, added credence to that viewpoint, noting that for organic produce the demand was not just for the hardware items. He said the top performers in organics during these challenging times are from the green vegetable category, including celery, collards, spinach and kale. In addition, he said berries and bananas also are doing very well. Each of these items are typically identified as providing even more good nutrients than other produce items. This would indicate that shoppers are specifically turning to organics because of their top-of-mind health concerns, which are very natural during a pandemic.

Tonya Antle, co-founder of the Organic Produce Network, was the moderator of the session and further advanced this theory by noting that the latest retail scan data from OPN show that both volume and dollar sales of organic produce were up more than 16 percent during the month of May.

Rod Braga, president of the organic produce-centric Braga Family Farms in the Salinas Valley, also noticed the spike in demand in recent months. "Every time we think that demand is plateauing, we are proven wrong and it continues to grow," he said.

Braga Farms, in fact, was able to capitalize on this trend. Braga said many crops have relatively long growing seasons and are being planted now for consumption well down the road, such as the organic celery that is currently being planted in the desert for January and February 2021 sales. But he said tender greens, such as spinach, are harvested within 30 days of planting. When Braga Farms saw the increased demand for those organic crops in March, it increased its acreage to capture additional spring sales.

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Braga is very bullish on the organic sector, as his company is transitioning about 500 acres per year from conventional to organic to satisfy the ever-increasing demand. In fact, he believes the coronavirus situation could add to that demand even after it is gone. He theorizes that the amount of home cooking that has occurred during this era of COVID could create a significant increase in organic produce demand post-COVID at foodservice.

Braga believes there are many consumers – especially in New York and other big cities – that have had to alter their eating habits and are now shopping at the grocery store, and eating at home three times a day rather than in restaurants because they have been largely shuttered for the last three months. He said this consumer segment has helped increase retail demand during the pandemic and may well do the same at foodservice once restaurants reopen fully, as they will want to order those same products when dining out.

“From your mouth to God’s ears,” said Antle, who has been trying to increase organic produce sales at foodservice throughout her career.

Rich Mendonsa, vice president of produce and floral procurement for Albertsons, reminded that even without a pandemic, organic sales have been trending upward. He revealed the “O” brand is a \$1 billion sector for Albertsons/Safeway with 1,500 items across 180 categories. He also predicted that the increase in produce demand would last beyond COVID as consumers have been reminded that their food dollar stretches further in the supermarket and he doesn’t expect that they will abandon the concept of eating healthy.

Kocher made a similar observation, predicting that two COVID trends he sees will have legs. He said both organic produce sales and on-line shopping were already growth areas that received a “jump start” during these shelter-in-place times. He believes there were new shoppers introduced to both of these opportunities and those shoppers will continue to fuel the growth beyond the pandemic.

He also commented that retailers are re-examining their product lines and organics may also get a boost from this SKU rationalization effort. Kocher asked if there is really a need for twin SKUs on some items. “If you offer organic Bok Choy, do you really need conventional Bok Choy?”

Mendonsa agreed, stating that with the significant uptick in demand for produce during the pandemic, if your fresh produce item “didn’t sell during COVID, maybe we don’t need it after COVID.”

When questioned, Callahan said that this is probably not the best time to introduce new items to retailers. He advised suppliers to concentrate on their core items. He did say that if producers new to

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the organic world want him to try a new product they better come equipped with a compelling and a unique differentiator that will make him switch from his current supplier.

Callahan did allow that the differentiator could be better labeling so that the item is properly rung up at the check stand. He said Albertsons buys much more organic produce than it gets credit for at checkout, and he suggested that all organic produce should come labeled with a PLU, GS1 or GTIN tag.

Braga understands the reluctance to add new products currently, but he said Braga Farms is always looking to the future with an entire team dedicated to innovation. He indicated it would be counterproductive to stop that process and he wants the team to have its own sense of normalcy during the pandemic. The company has introduced new value-added organic items recently.

Both Albertsons' representatives remarked that produce department real estate is at a premium and every time they stock a new item, they must remove one.

Talking specifically about the experiences learned during the pandemic, the speakers said that not everything will return to normal, and some of the things that were learned will change the way business is done.

Kocher said Castellini went from one remote worker to 150 in two days. He expects many of those workers will continue to work at home. He added that the company has learned that it can be effective and get a lot of things done at a lower cost with less travel.

"I love the idea of going more and more digital," Kocher said, but added that face-to-face meetings are an important part of the produce industry and will continue.

Callahan agreed saying that Zoom meetings with team members and suppliers have worked well. He said digital promotions also appear to be a cost-effective way to introduce new products.

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