

AGRIBUSINESS: Demand for Organic Meats Outpacing Supply

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London – Organic meat sales continue to surge in North America with 51% growth registered in 2005.

New research finds the meat sector to be the fastest growing in the North American organic food industry. Organic meat sales have expanded by over 150% since 2002 with high growth rates expected to continue as retail distribution increases.

Exceptionally high demand for organic meats has been observed since the first cases of BSE were reported on American and Canadian herds in 2003. Although the BSE incidents have not eroded consumer confidence in beef products, they have elevated consumer awareness of organic meat production methods. Organic beef sales in the US have doubled each year since 2003 partly because of this new consumer awareness of organic meats.

A new study by Organic Monitor finds undersupply to have a dampening effect on market growth rates. Producers cannot find enough organic meat supply to meet burgeoning consumer demand with some companies resorting to imports. The US market for organic meats has become highly import dependent with organic meats coming in from Latin America, Australasia as well as Canada. Over 60% of the organic pork sold in the US is currently imported because of low domestic production levels.

Supply shortages are mostly affecting the organic beef and pork markets. Low producer interest in these organic meats has been due to high production costs, lack of certified slaughterhouses & meat processing plants, and inadequate distribution infrastructure. Although organic meat production has stepped up since 2004, supply is expected to lag demand for a number of years with imports continuing to meet the shortfall in domestic supply.

Although the organic beef market is the fastest growing, poultry comprises most organic meat sales volume. Roughly 26,000 tons of organic poultry was sold in 2005 with chicken comprising the bulk. Its domination is because of the short production cycle which enables producers to adapt relatively quickly to demand fluctuations.

Exceptionally high market growth rates are attracting new entrants in the organic meat industry. Natural & conventional meat companies are taking up high market share as they utilize their distribution networks to launch organic meats. In contrast, many dedicated organic meat companies are finding it difficult building supply chains from farmers to retailers because of supply problems. Indeed, the lack of distribution infrastructure makes direct marketing an important channel for many producers.

Small-scale production and undersupply have made organic meats in US and Canada some of the most expensive in the world; organic beef and pork products are priced up to three times as much as conventional meat products. Retail prices are expected to go down as more supply becomes available, enabling companies to achieve economies of scale in production and marketing.

More information can be found at <http://www.organicmonitor.com/300244.htm>

Australian Export Market:

Alister Ferguson is Marketing Manager of Organic Meat Company, a subsidiary of ACO certified meat exporter Sanger Australia Pty Ltd. He believes Australia is well positioned to take advantage of the growing demand for organic beef in the USA as we can supply 100% grass-fed range reared organic beef in steady volumes 12 months of the year. He says the USA is up to 10 years off being able to do this as they are geared more towards grain fed programs and have bred their cattle for this purpose.

"Australia on the other hand has worked hard on developing breeds that can be finished on grass, also our cost of production is a lot lower when comparing land values etc," he said.

"However, due to the small supply of good quality NOP certified organic cattle in Australia, to take full advantage, we as processors and marketers have had to work closely with our producers so that we can offer a 12 month supply of quality product which is what is required to tempt the big users in the USA to stock and promote our product in their stores."

Australian Certified Organic, the BFA's certifying arm, offers USDA certification, which will help enable Australian organic farmers to enter the booming US market. For information contact