

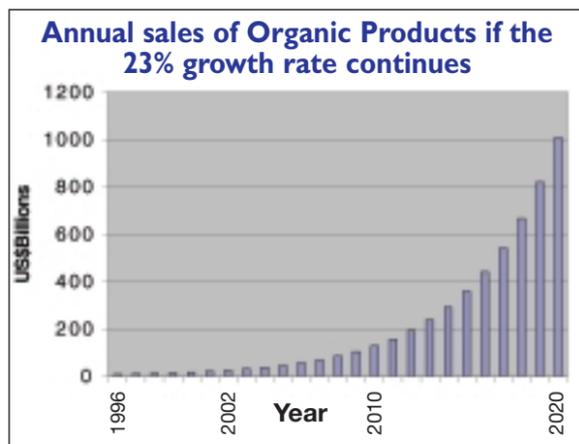
The World is Going Organic

FROM GRASSROOTS MOVEMENT TO SIGNIFICANT INDUSTRY

If current growth rates are maintained it is quite conceivable that the world's agriculture will be fundamentally organic by 2020. In order to understand how this is possible one must understand two distinct phenomena in society: fads and trends.

What is a Fad?

An idea that is taken up with great enthusiasm for a brief period of time; a craze. Fads come and go. A fad is driven by hype and generates many sales in a short period of time. Generally speaking, it is a top-down movement, which generally starts with a sophisticated marketing campaign attuned to society's current mindset. For example, newfangled weight-loss equipment offering "immediate success" will initially be perceived as valuable, and a large number of people will buy it. However, after a short period of use, the equipment will be put away and forgotten.



What is a Trend?

It is the general direction in which something tends to move.

Trends eventually become the norm. A trend is a grass roots, bottom-up movement that is driven by repeat business. A good example is the "natural" movement that started around 1970. Back then the term "natural" was not used very much on product packaging. Then a few companies started using it in response to public demand. The growth in sales of "natural" products prompted large corporations to create their own "natural" products. Now, three decades later, we ask ourselves, "What isn't natural?"

The organic movement began at the same time as industrialised agriculture. It evolved through the '50s and '60s with the launch of such books as *Silent Spring*, by Rachel Carson, which exposed the toxic bio-accumulative effects of pesticides. During the '70s the development of the organic market was stimulated by growing consumer interest in health and nutrition and the increasing awareness of the importance of preserving the natural environment. More recently the movement has been given significant impetus by events such as outbreaks of Bovine Spongiform Encephalopathy (BSE or Mad Cow Disease), and the controversy of Genetically Modified Organisms (GMOs), which have motivated people to search for healthy alternatives.

World trade in organic products is dominated by the United States, the European Union and Japan. Recent market research has shown that consumer demand is growing rapidly in these

major markets. The sale of organic products is expected to reach between 5% and 10% of total food sales by the year 2005.

USA

Consumer sales of organic products in the United States reached USD\$5.6 billion in 2000, a rise of 19% since 1999. With sales in 2001 reaching USD\$9.4 billion, the organic segment should be worth between USD\$13-USD\$18 billion by 2005.

EUROPE

Research across seven European countries found that organic spending should nearly double every five years. During 2000, 29 million people in the UK said they had consumed organic food, a figure that represents almost half the population. Currently there are some 142 million consumers of organic food in Europe, showing that organic food has hit mainstream after many years as an "alternative" niche market. The UK, which had organic sales of GBP£605 million in 2000 and is expected to reach GBP£1 billion by the end of 2003, will continue to be a key market for organic products. By 2006, 58% of European consumers are expected to be buying organic products.

JAPAN

The Japanese are the largest per capita consumers of organic products in the world. Japan had a national market value of USD\$1.5 billion in 1998, which grew to USD\$3.2 billion in 2002. The majority of organic products in Japan are distributed through local co-operatives.

Over the next 20 years, projecting the same compounded growth that the "natural" phenomenon has enjoyed it is clear that the organic movement will play a significant role in world trade.

MARKET	2002 RETAIL SALES	CURRENT GROWTH RATE
USA	USD\$9.4 Billion	19%
Europe	USD\$9.2 Billion	22% (UK 2001 40% growth to USD\$0.8 Billion)
Oceania*	USD\$9.0 Billion	21% (Japan 2001 21% growth to USD\$3.2 Billion)

* South East Asia, Japan, Taiwan, Australia and New Zealand