

Q: What can you tell me about price premiums for organic foods?

A: Price premiums for organic food products differ depending on which segment of the food supply chain you are interested in. For example, prices for organic products at shipping point and terminal markets differ from those at the retail level. A new May 2016 report from the USDA Economic Research Service (USDA-ERS), titled *Changes in Retail Organic Price Premiums from 2004 to 2010*, estimates organic price premiums for 17 different products. Six of the products are fruits and vegetables: apples, carrots, celery, potatoes, spinach and salad mix. Eggs and dairy are also evaluated; the remainder are processed products. It is important to note that these data refer to retail outlets such as grocery, supercenter and health food stores and not direct-to-consumer prices at outlets such as farmers' markets.

The 2016 USDA-ERS report explains that the "organic food sector has been one of the fastest growing parts of the food industry". Not only are organic products found at more retail outlets than in the past, but a greater number of consumers are now purchasing organic foods. The Organic Trade Association's (OTA) 2015 Organic Industry Survey estimates that total organic food sales in 2014 were \$35.9 billion, up 11 percent from 2013. Organic fruits and vegetables account for over one-third of the total, and are the largest category in organic food sales.

The USDA-ERS report also explains that retail pricing for organic products is higher than for non-organic because of the differences between the two categories, including regulatory aspects of the USDA's organic standards and labeling requirements. The report notes that additional costs for organic are "incurred at every level of the organic food supply chain including farmers and ranchers, food processors and retailers."

Focusing on just the highlighted fruit and vegetable crops, 2010 retail organic price premiums ranged from a low of seven percent for spinach to a high of 60 percent for salad mix; premiums for the other products were over 20 percent. Supply and demand factors resulted in organic price premiums that fluctuated over the seven year time period studied, however, all price premiums were positive.

The complete USDA-ERS 38-page report, which contains far more detail, and also explains some limitations of the data, can be found at:

<http://www.ers.usda.gov/publications/err-economic-research-report/err209.aspx>

Shipping point and terminal market prices for conventional and organic fruits and vegetables can be found at the USDA Agricultural Marketing Service website below. Custom reports for fruits and vegetables, along with reports for other agricultural commodities can also be found at this link. <https://www.ams.usda.gov/market-news/fruits-vegetables>.