



The Fruitive in Washington, DC, and Virginia offers a variety of power-packed juices (above) such as Kalevolution and Beet Faster, that contain organic produce.

Jason's Deli, with locations across the U.S., has more than a dozen organic ingredients on its menus, including organic field greens on its Mediterranean Wraps (below).



PHOTOS COURTESY OF JASON'S DELI AND THE FRUITIVE

ORGANIC PRODUCE'S STAR IS RISING ON FOODSERVICE MENUS

The category still has plenty of room before it rivals retail sales.

BY CAROL BAREUTHER

Organics are growing like gangbusters at retail. In fact, register rings of organics hit a new record high of \$52.5 billion, up 6.3% from the previous year, according to the 2019 *Organic Industry Survey*, released in May by the Washington, DC-headquartered Organic Trade Association (OTA). Organic food sales represented more than 90% (\$47.9 billion) of this total, and organic fruit and vegetable dollars rose to \$17.4 billion, representing a little more than one-third (36%) of organic food sales.

This same boon for organics hasn't happened in foodservice. But it could in the future. In fact, the writing is already on the menu. Specifically, in 2008, the word 'organic' appeared on 10.2 percent of menus, according to the May-compiled *Organic, The SNAP*.

Food Profile Proliferation, by Chicago-based market research firm, Datassential.

Today, it's at 23% or nearly two and half times what was seen a decade ago. Additionally, there's a strong produce connection. Salad, tomato, onion, lemon, cucumber, pepper, potato, mushroom, carrot and garlic are all among the top 20 words paired with organic on menus.

"We've seen organics evolve from niche to proliferation, appearing across chain restaurants, and appearing as single ingredients within larger dishes or drinks," says Anthony Kingsley, local and sustainable produce lead for US Foods, a major foodservice distributor headquartered in Rosemont, IL.

"We serve a variety of foodservice operators from quick service

to fine dining, and the demand for organic produce truly synchs with the type of customer that operator serves and what their diner considers important to them," he says.

The best way to understand the topic of organics in foodservice is to first look at the history, then key drivers behind the current state of organics on the menu, and then look at challenges and opportunities, especially for fresh produce, going forward.

A SOUP TO NUTS TIMELINE

Organics on the menu is nothing new, even in the modern times of the past half century.

"Chefs were early to embrace the organic produce movement because many of them were accustomed to making trips to local markets for fresh food to drive their seasonal menus," says Sharon Olson, executive director of Culinary Visions, a culinary marketing practice based in Chicago.

Alice Waters, who opened Chez Panisse in 1971 in Berkeley, CA, is widely regarded as one of the first and perhaps most influential chefs to highlight organic produce. On the opposite coast in Washington, DC, Nora Pouillon welcomed diners to her Restaurant Nora in 1979. Twenty years later, Pouillon turned her namesake eatery into the first certified organic restaurant in the United States. She followed the requirements of the Oregon Tilth Certified Organic (OTCO) program, which is an accredited certifying agent for the USDA's National Organic Program (NOP). To obtain this certification, Pouillon committed to sourcing 95 percent of ingredients as organic, from fresh produce right down to the condiments and coffee.

"Starting in the 1990s, the average consumer began to focus on foods that made them feel good about what they ate, so they looked for terms such as 'organic,' 'farm-to-table' and 'local,'" explains Mike Kostyo, trendologist for Datassential. "At this point, organic foods were moving into the mainstream, which meant organic food production ramped up across the United States and people across the country were more receptive to chefs who had laid the groundwork for the organic food movement."

The pioneering effect meant more contemporary chefs have come on board to promote organic on the menu. For example, Sweetgreen, a 75-unit chain based in Culver City, CA, started leading this second-wave charge in the mid-2000s, with more recent exposure in concepts like Fruitive, a five-unit

chain headquartered in Virginia Beach, VA, and the Organic Coup, a 10-location fast-food chain based in Pleasant Hill, CA.

"One major reason I opened our first restaurant in May 2012 was that while organic was so easy to find in the grocery, it was virtually nonexistent if you wanted to dine out," says Gregg Rozeboom, founder

and principal of Fruitive — a plant-based organic restaurant, which has grown to five locations in Virginia and Washington, DC. Fruitive is the first certified organic fast-casual restaurant in North America and is certified by OTCO.

Today, consumer demand for taste, health and sustainability is driving the organic

THE VALUE OF ORGANIC ON THE MENU

Downstream at the consumer touch-point, restaurants have an opportunity to utilize marketing to promote organic produce on menus and thus grow the category, according to Brian Vertrees, director of business development — West, for berry company, Naturipe Farms, Naples, FL. "With more and more consumers interested in organics as well as the story behind their produce, the foodservice industry can capitalize on this audience by promoting the organic aspect of their dishes."

Indeed, 45% of those asked about the importance of organic ingredients and/or production practices when deciding to eat at a fast-casual chain rated this 4 or 5 on a five-point scale, and 41 percent of QSR diners responded similarly, according to the *Sustainability 2017* report, published by the Bellevue, WA-headquartered, The Hartman Group.

Restaurants are not required to be certified organic to handle certified organic agricultural products but do need to follow the organic rules and be truthful with organic claims, according to the U.S. Department of Agriculture (USDA). The USDA's Agricultural Marketing Service's National Organic Program is the nation's federal regulatory framework for governing organic food.

"Food establishments need to accurately label the organic status of both meals and ingredients," says USDA spokesperson Lillie Weiya Zeng. "If the establishment sells an 'organic chicken sandwich', then the full sandwich needs to be made with organic ingredients. If the establishment sells a 'sandwich with organic chicken,' it is expected that the chicken is organic, but the rest of the sandwich may not be."

Beyond this, says Brian Denton, director of marketing and brand development for PRO*ACT, a major North Amer-



ican food distributor based in Monterey, CA, "some restaurants may have full menus that are organic, or select menu items or ingredients labeled as organic or notes that say 'organic when available.'"

Or, the word 'organic' may not appear anywhere and it's simply how the restaurant buys produce, which is more common in fine dining, says Mike Kostyo, trendologist for Datassential, a market research firm based in Chicago. "The latter options are also more likely the case in restaurants where organic buying is so common that calling it out every time would be too repetitive."

Said another way, in fine dining, the customers trust the chef to choose the finest ingredients and that can often mean organic, says Sharon Olson, executive director of Culinary Visions, a culinary marketing practice based in Chicago. "In QSR, you're more likely to find organic claims called out on menus to build their culinary credibility."

In the end, offering organics on the menu and labeling these as such may help boost overall produce consumption, says Chef Michael Stebner, director of culinary innovation at Sweetgreen, a 75-unit fast casual chain based in Culver City, CA. "Having organic broccoli rather than just broccoli on the menu may get people excited and ultimately eat more fruits and vegetables. That's a good thing."

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momentum overall and in foodservice.

For example, 40% of those surveyed thought organic foods taste better, according to the *Healthy Eating Consumer Trend Report*, published in November 2018 by Chicago-based research and consulting firm, Technomic, Inc. This comes from the perception of organic as fresher, higher-quality ingredients with authentic flavors.

"Organic is about taste for many of our customers," says Erica Welton, founder and chief executive of the Organic Coup, whose signature dish is a slaw-topped fried chicken sandwich.

Beyond this, consumers' top food and beverage concerns are related to food safety and chemicals and pesticides in their food, according to Datassential's Kostyo. "38% say they are 'extremely' concerned about these issues. So, it's perhaps no surprise that organic foods, which are aimed at alleviating those concerns, are popular with consumers. In fact, half of consumers overall tell us they love or like organic foods, and they score particularly well with younger generations — Gen Z and Millennials — who will define the next generation of healthy eating."

As a side note, Datassential's Organic



PHOTOS COURTESY OF SWEETGREEN

Sweetgreen's organic-filled Quarter Miso Bowl.

SNAP profile report shows Gen X and Boomers index higher than average, yet lower than Gen Z and Millennials, in a desire for organic foods on the menu. In fact, the higher than average indexing holds true for women and men; Asian, Hispanic, White and Black ethnicities in descending order; and those in the West, South, Northeast and Midwest, also in high to low order of appeal.

A belief that organic food is good food was the most important reason why Maria Hines, chef/owner of Tilth in Seattle, chose ingredients grown in this manner for her restaurant, the second eatery in the nation after Nora's that was certified organic by the non-affiliated OTCO.

"My fruits and vegetables are all either

organic or wild," says Hines, who won the James Beard Award for Best Chef: Northwest, in 2009. "For me, it's not just a label, but a belief that the purity of organic ingredients enhances each dish at Tilth, making it cleaner, brighter and more authentic in flavor, which translates to how my guests feel. It's the same healthful nutritious food that also helps heal the earth."

Three in four restaurant operators say their customers are more interested in environmentally sustainable menu items than two years ago, according to the 2019 *State of the Restaurant Industry* report, by the Washington, DC-based National Restaurant Association (NRA). Because of this, many operators are expanding their offerings to meet this growing demand. Roughly half of fine-dining operators and nearly 3 in 10 casual-dining and family-dining operators say they plan to add new food items in 2019 that were grown or raised in an organic or environmentally friendly way. One-quarter of fast-casual operators reported similarly.

SNAPSHOTS ON THE MENU

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different with organic produce on the menu. Currently, 47 percent of fine-dining restaurants call out organic ingredients on the menu, according to Datassential's Kostyo. This is the highest menu penetration rate for the term 'organic' of all foodservice segments. Chez Panisse, Tilth and Nora's, which closed in 2016 when Pouillon retired, are and were excellent examples.

Yet, coming in second is fast-casual with 'organic' appearing on 35% of menus in the United States.

"The first time I worked with organic ingredients was in the mid-90s at a fancy resort in Scottsdale, AZ," says Chef Michael Stebner, director of culinary innovation at fast-casual chain, Sweetgreen. "The chef brought in organic spinach for us to see. No one really knew the difference back then, but we could see the leaves were bigger, thicker, heartier and yummiest. Twenty-five years later, organic is mainstream. Our menu is produce-centric because we're a salad concept. The Harvest Bowl (organic wild rice, kale, apples, sweet potatoes, roast chicken, goat cheese, almonds and balsamic vinaigrette) and Kale Caesar (kale, romaine, tomato, parmesan, roasted chicken, fresh

lime juice and Caesar dressing) are our most popular items. I'd say 80 percent of our food costs are produce and 60% of this is organic."

Fast-casual operators (42%) are more likely to expect a stronger presence of vegetarian items, gluten-free items, house-made items and organic on their menus in 2019 compared to their quick-service (QSR) counterparts (26 percent), according to the NRA's 2019 *State of the Restaurant Industry* report.

"We now have organic zucchini in most of Texas and are still trying to expand," says Brandon Hudson, corporate chef for Jason's Deli, a fast-casual chain based in Beaumont, TX, with 260-plus units in 29 states. Approximately one-fifth of the chain's ingredients are organic. In produce, this includes organic apples, field greens, spinach and carrots.

The next evolution, appearing especially in the fast-casual arena, has menu items such as 'power salads' and 'protein bowls' that use organic ingredients to create dishes that also have functional benefits, according to Datassential's Kostyo.

"An example is a limited-time offer such as the Organic Iced Ginger Detox drink, introduced last month at Le Pain Quotidien,

which is made with organic oranges and lemons plus oregano extract and Himalayan sea salt to offer 'detoxing' benefits," says Kostyo. Le Pain Quotidien is a Belgium-based chain with 260 locations in 20 countries, including the United States.

Casual dining ranks third in menu penetration rates for the term organic at 28 percent, followed by mid-scale (17%) and QSR (12%).

The Organic Coup is the first USDA-certified organic fast-food or QSR chain in the United States. Welton, and co-founder Dennis Hoover, originally worked together as executives at Costco in Northern California. Welton, as a deli buyer and Hoover as senior vice president and general manager of the Bay Area region. The two witnessed a huge shift in consumers turning away from iconic name brands and instead choosing niche brands that featured clean-labeled and organic ingredients. Four years ago, Welton and Hoover walked away from the world's second largest retailer to found the Organic Coup.

"We started with one location, worked with a chef to help develop our recipes and focused on a small menu," says Welton.

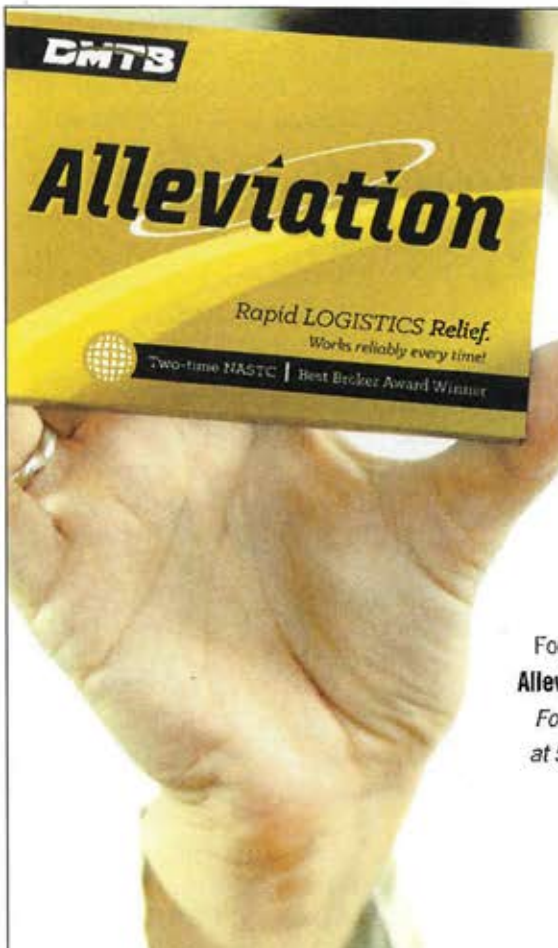


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"Since then, we've expanded beyond our signature fried chicken sandwich and wrap to include salads (Kale & Slaw with Grilled Chicken, Caesar with Grilled Chicken, Chinese Style with Grilled Chicken, and a Beet, Greens & Quinoa Salad), tater tots and an acai bowl with berries and bananas at breakfast."

In the future, Welton foresees a wider reach of opportunities for organics in foodservice. A good example already in play is Organic Coup's locations at sporting venues. There are two locations at Oracle Park, home of the San Francisco Giants baseball team, and one at Levi's Stadium, home of the San Francisco 49ers football team.

Beyond this, "segments of the foodservice industry, specifically fine restaurants, organic and natural eateries, juice bars and colleges and universities, that market themselves toward organic shoppers, are in my opinion the segments that seem to be the driving force behind the growth we've seen," says Lisa McNeece, vice president of foodservice and industrial sales at Bakersfield, CA-based Grimmway Farms, the largest carrot grower in the world, and owner of Cal-Organic Farms.

Organic menuing by onsite/non-commercial segments, according to Datassential's Kostyo, are colleges and universities (6%), hospitals (3%), K-12 schools (3%) and senior living and long-term care (1%).

"We have aligned with the university's goal of 40 percent of food served in dining halls and other campus venues as local/sustainable by 2025 by sourcing local organically grown fruits and vegetables," says Chef Lesa Holford, a Culinary Institute of America graduate and corporate executive chef of University Dining Services for Ohio State University. "The most prevalent use of organics is in the three traditional dining establishments, where students can swipe their card and eat all they want. These represent 40% of the 43,000 daily meal transactions. Here, we can be more diverse and flexible with the menu. For example, offering 'vegetable of the day' and taking advantage of what's available."

On the healthcare front, Baldor Specialty Foods, one of the largest importers and distributors of fresh produce in the Northeast, supplies New York Presbyterian Hospital, according to Mark Hill, organics buyer and sales executive for the Bronx, NY-headquartered company. "The hospital has implemented a local/organic in-room demand dining menu that highlights speci-

cally which area farms produced the ingredients found in their meals."

CHALLENGES & OPPORTUNITIES

The availability of organic fruits and vegetables and their often-premium price are the two toughest challenges facing foodservice operators. This is doubly true depending on the item and its seasonality. Both availability and cost are issues that offer opportunities for the produce industry.

"Organic farming has been around for

decades but has ramped up in the past decade due to rising demand," says Anne Mills, senior manager of consumer insights for Chicago-based market research firm, Technomic. "This has allowed more foodservice establishments to offer organic foods, including produce. Now, there is a lot wider variety of organic ingredients and produce on menus that span across meal parts, from organic tea to organic foods."

The coordination of tapping into this availability can be the biggest hurdle. This

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was especially true for Fruitive's Rozeboom when he first opened seven years ago.

"I went to the major foodservice suppliers, and they didn't handle organic," says Rozeboom. "It wasn't on their radar because they said it was such a small part of the business that it wasn't worth it for them. So, I first went to local farmers. Then, to distributors who supplied the grocery stores. There are a lot more organics at retail."

Localized operators have solved this problem by setting up a purchase arrangement with one supplier in their area. For example, the three dining halls and three retail foodservice operations at OSU all have open purchase orders with Great River Organics in Columbus, OH, a cooperative of seven farms that grow a selection of some 120 crops throughout the year.

Similarly, the Organic Coop works exclusively with Bay City Produce, in San Leandro, CA, to supply its California restaurants with washed, chopped and prepped organic produce, and ditto with Pacific Coast Fruit Company, in Portland, OR, to supply the chain's two Seattle locations.

Other operators, especially those with a larger geographic reach, continue to struggle

PHOTO COURTESY OF THE ORGANIC COUP



The Organic Coup's salads and wraps feature clean labeling and organic ingredients.

with the logistics of organic supply.

"It's difficult when you have some distributors that might only service a few units, and they aren't currently carrying organics for any other local restaurants. Currently, the only menu item that is fully organic is our Organic Vegetable Soup. We have sandwiches, wraps and salads that have organic components, and we find our customers are happy that we have that and understand the difficulty of sourcing," says Hudson at Jason's Deli.

Interestingly, because of sourcing

constraints such as this, co-mingling doesn't seem to be the significant problem for operators that it is at retail, according to Jackie Rodriguez, senior project manager at Datassential. "It's not unusual to see organic greens in a salad, for example, alongside conventional tomatoes or a smoothie with organic kale but conventional bananas."

To meet this challenge, foodservice distributors such as US Foods are working toward easier organic supply for its customers.

"As the demand for sustainable products such as certified organics continues to rise, we are poised to offer our foodservice operators a number of options to meet their needs via our Serve Good program," says Kingsley. "From sustainably sourced foods to items made from recycled materials, products within the Serve Good portfolio are developed with suppliers who are committed to responsible practices, and many items come with the reassurance of verification by third-party certifiers."

A few items in US Foods' Serve Good program include Cross Valley Farms-brand Organic Baby Spinach with Wild Arugula Blend, Organic Snappy Slaw Blend and

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Another interesting sourcing solution comes from 4Earth Farms, a Commerce, CA-based grower, packer and distributor of organic and conventional produce, which also offers value-added packing.

"Since it can be difficult for operators to source organic in all the ingredients they need to make a particular recipe, we've helped do it for them by assembling everything in a kit," says Mark Munger, vice president of sales and marketing. "An example is an organic butternut squash soup where the ingredients, right down to the garlic and celery were organic."

Greater availability of organically grown fruits and vegetables can help the second big challenge to menuing: cost.

"Restaurants and other food services have been slow to adopt organic produce because the food cost is high," says Baldor's Hill. "Organic is more expensive, typically 15 percent more expensive. Restaurant owners have been wary of that impact on the bottom line, but thanks to increased

PHOTO COURTESY OF GRIMMWAY/CAL-ORGANICS



A carrot fennel citrus salad featuring organic carrots from Grimmway Farms.

availability and a larger network of organic providers, Baldor is helping more foodservice businesses become aware they can incorporate organic produce into the menus successfully."

Since operators pay a premium to have organic fruits and vegetables on their menu, these costs will in turn be passed along to restaurant diners or other end-user customers, according to Datassential's Kostyo. "The cost barrier is real. It's costlier to produce organic, and there's less supply

in the marketplace. And this higher cost is a predominant factor in why you are more likely to see organic produce in fine dining versus other foodservice concepts."

While 68 percent of consumers polled say they would be more likely to purchase menu offerings described as organic, only 41 percent said they would be willing to pay more, according to Technomic's 2018 *Healthy Eating Consumer Trend Report*.

At the end of the day, says Matt Seeley, chief executive of the Organic Produce Network, in Monterey, CA, "it boils down to supply and pricing. Once those two components become settled, we should see more organics in foodservice."

Beyond this, notes Datassential's Rodriguez, "Raising the consumer perception of value will go a long way in helping organic produce make inroads on menus. Although the term is considered 'premium,' the bar for so-called clean food has been set so that it's an expectation rather than an exception. Operators might consider menuing organic produce as a sales driver instead of a profit center, with consumers more likely to choose an item with organics but not necessarily pay more."

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