Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada

Canada

Market Access Secretariat
Global Analysis Report

Organic Beverage Opportunities
in the United States

November 2013

EXECUTIVE SUMMARY

Opportunities may exist for Canadian organic beverage companies in the United States (U.S.), particularly organic coffee and tea, in a competitive beverage sector that is reacting to a number of demographic shifts and consumer trends, including increasing engagement in beverage industry issues such as sustainable resource use.

A number of consumer and demographic trends are expected to support the U.S. organic beverage industry. These include concern for health and wellness, as well as premium trends and new flavour experiences. Increasing spending power of Millennials (born 1977 to 1994), who are notable consumers of natural and organic products, and baby boomers interested in health are also changing the market (Mintel, 2011).

Organic products are feeding into two major consumer trends, health and wellness, and sensory and indulgence, that are predicted to drive change and new product development in consumer packaged goods. Focusing on these trends and attributes is expected to lead consumers perceiving products as premium (Datamonitor, 2013). These trends could provide opportunities for organic beverages in the U.S. and product development that meets the diverse needs of consumers.

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EXECUTIVE SUMMARY (continued)

According to the United States Department of Agriculture (USDA), U.S. organic imports* from the world had a value of US$496.2 million in 2012. Organic coffee accounted for 57% of imports, while organic tea accounted for 7%. Overall, organic imports declined roughly 25% from 2011 to 2012. However, January-February 2013 imports are slightly higher than the same period last year, while coffee imports are slightly down and tea imports have increased. Organic imports from Canada performed significantly better than world imports from 2011 to 2012, increasing by 15.5%. While organic coffee imports from Canada declined, organic tea imports increased.

Euromonitor indicates that the U.S. organic beverage market was valued at US$943.4 million in 2012, with growth of 27.1% predicted from 2012 to 2017, to reach a value of nearly US$1.2 billion. Organic soft drinks made up just over half of the organic beverage market in 2012, while organic coffee and tea accounted for roughly 20% each. However, organic hot drinks have experienced faster growth than organic soft drinks, and are expected to drive value growth in organic beverages from 2012 to 2017 (Euromonitor, 2013).

ORGANIC BEVERAGE MARKET AND TRENDS

Organic beverages generally have higher unit prices than their traditional counterparts and tend to have favourable perceptions among consumers, who associate safer, healthier and sustainable attributes with organic certification. Thus, consumers view these products as premium and generally accept higher price points. However, consumer confusion about organic beverages still exists and can result in consumers who have difficulty justifying premium pricing.

According to Euromonitor, while a USDA organic logo can quickly differentiate an organic beverage from standard competing products and lead to higher value sales, high price points can also result in lower consumer spending during times of economic difficulty as consumers trade down (2011). However, core consumers of natural and organic products are unlikely to stop purchasing these products, but instead trade down to less costly natural and organic products. Mintel research suggests that household income trends for organic beverages tend to mirror organic food, with higher-income households more likely to consume organic beverages. However, certain organic beverage categories that are targeted toward younger consumers (such as ready-to-drink and functional drinks) have higher penetration among middle-income consumers, while lower-income households tend to buy natural beverages instead of organic. Households with children are also more likely to purchase organic beverages. Purchasing behaviour also mirrors the overall beverage market among older and younger consumers, such as older consumers being more likely to purchase loose leaf and bag tea (2011).

Consumers also tend to perceive less processed organic products as retaining more of the nutritional benefits of organic ingredients. Organic beverages that adhere to the growing consumer trend for “clean” products, which have more natural ingredients, simpler ingredient lists and less processing, may incur more positive perceptions among consumers (AAFC, 2011). According to Datamonitor, possible new product development opportunities are thought to exist in beverages that tap into natural, organic and indulgence trends through the use of real and natural ingredients, fruit and vegetable blends, and drinks that provide nutritious on-the-go meal replacement and energy (2012; 2013).

**This includes organic imports tracked by the United States. For a full list, visit: http://www.fas.usda.gov/htp/organics/2011_List_of_Organic_Trade_Codes.pdf*

Historic/Forecast Sales of Organic Beverages in the United States by Type
Retail Value in US$ Millions

	2011	2012	2013	2014	2015	2016	2017
Total organic beverages	903.1	943.4	995.5	1,037.0	1,084.7	1,134.6	1,199.3
Hot drinks	375.9	397.3	423.7	448.6	472.6	496.0	533.6
Soft drinks	527.3	546.1	571.8	588.4	612.0	638.7	665.7

Source: *Euromonitor International, 2013.*

According to Euromonitor, spending on organic beverages slowed from 2008 to 2010, during the economic downturn. This was largely due to slowing of organic soft drink growth, while organic hot drinks sales maintained fairly strong annual growth. This could be due to brand loyalty and ingrained consumer tendencies to drink coffee or tea at the beginning of the day. From 2010 to 2011, as the economy recovered, organic beverage sales began to gain momentum. However, consumers may continue to spend frugally, which could pose a challenge to future sales (2011; 2013).

Overall, from 2007 to 2012 organic beverage value sales in the U.S. increased with a Compound Annual Growth Rate (CAGR) of 4.6%, to reach a market value of US$943.4 million. Both organic hot and soft drink value sales increased over this time period, with organic hot drinks experiencing nearly double the CAGR of organic soft drinks. Organic beverage value sales are small in comparison to the overall organic food market, which may indicate future growth opportunities for organic beverages. In the future, organic beverages are expected to continue to see increased value sales, with a CAGR of 4.9% from 2012 to 2017, to reach a market value of nearly US$1.2 billion. Both organic hot drinks and soft drinks are expected to see relatively strong growth, with organic hot drinks increasing the most (Euromonitor, 2011; 2013).

Like the overall organic market, organic beverages are highly fragmented across companies. While some large consumer packaged good companies have increased their share, specialty companies still hold a significant share (Mintel, 2011). According to Euromonitor, the Starbucks brand led market share in the U.S. organic beverage industry in 2012, with a 10.1% value share that has remained relatively steady over the past five years. The Celestial Seasonings brand accounts for the second-largest share in the market (4.4%), followed by Oregon Chai (1.8%) (2013). Not surprisingly for a niche market (although one that is increasingly approaching the mainstream), brand shares are fairly fragmented with most brands holding a very small share of the overall market.

Top Organic Beverage Brand Shares in the United States – % Retail Value

Brand	Company (Global Brand Owner)	2010	2011	2012
Starbucks	Starbucks Corp	10.0	9.8	10.1
Celestial Seasonings	Hain Celestial Group Inc, The	4.4	4.5	4.4
Oregon Chai	Kerry Group Plc	1.9	1.8	1.8
Welch's	National Grape Co-operative Association Inc	0.4	0.3	0.3
Others*	Other companies	83.3	83.6	83.4

Source: *Euromonitor International, 2013. *Includes private label*

Interestingly, private label organic beverages accounted for nearly 15% share of the retail sales market in 2012, even though organic beverages tend to be more of a niche, premium market that can be dominated by brands (Euromonitor, 2013). The rise of private label products, including premium/quality ranges, could be supporting this proportion of private label organic beverages in the market.

Penetration of Private Label in the United States Organic Beverage Market - % Retail Value

	2007	2008	2009	2010	2011	2012
Organic beverages	15.3	14.7	14.7	15.0	14.7	14.6

Source: *Euromonitor International, 2013.*

Euromonitor indicates that organic beverages in the U.S. are mainly distributed through supermarkets, which accounted for 45% of all sales in 2012. The second-largest channel was hypermarkets (27% share), followed by non-grocery retailers (18%). Hypermarkets have gained a slightly larger share since 2007, while supermarket share has gradually declined (2013). Mintel research indicates that among buyers of organic and natural products, natural food stores tend to be a popular channel across all age groups. However, Walmart tends to be the most common individual retailer used by organic and natural buyers, and channel preference can vary by age group. Older consumers are more likely to purchase organic products at traditional supermarkets, while younger consumers tend to use more non-traditional outlets, such as convenience and drug stores. Consumers generally shop, on average, at 2.7 locations for natural and organic food purchases (2011).

Foodservice

On U.S. menus tracked by Mintel in the fourth quarter of 2012, organic tea was, by far, the most common organic menu item, while organic coffee was fourth. Organic milk was the third most-common organic menu item, while juice was sixth, soda was ninth and lemonade/limeade was tenth (2013). Of specific drink types, herbal infusion tea was the most common, followed by black tea and green tea. Organic tea was most commonly used in casual dining, followed closely by fine/upscale restaurants, and family/midscale foodservice. Organic coffee was more commonly found in casual dining, followed by fine/upscale resturants and fast casual foodservice. The vast majority of organic beverage menu items were in traditional North American restaurants, followed by Mexican, European, and Italian restaurants.

Organic Certification and Labelling

Organic products such as coffee and tea are required to follow the organic certification requirements of the USDA. To be certified organic in the U.S., a product must have used organic agricultural products. With regard to labelling:

- A “100% organic” label requires a product to be made with 100% organic ingredients*
- An “organic” label, requires a product to contain at least 95% organically produced ingredients*
- A “made with organic ingredients” label, requires a processed product to contain at least 70% organic ingredients*.

Canada and the U.S. have an organic equivalence arrangement that allows products that are certified as “organic” in one country, to be marketed as organic in the other country (Euromonitor, 2011; USDA, 2013; CFIA, 2012).

**This does not include water and salt.*

ORGANIC HOT DRINKS

Euromonitor data indicates that while overall organic beverage sales were slowing from 2008 to 2010, organic coffee sales increased by 11.2% and organic tea sales grew by 9.5%. This may be partially due to the strong brand loyalty of hot drink consumers, making them less likely to trade down to save money. As the economy began to recover, sales strengthened further, with coffee sales increasing a notable 10.7%, and organic tea sales growing 7.1% from 2010 to 2011. With organic coffee leading growth, the organic hot drink market reached a value of US$397.3 million in 2012. This represents a CAGR of 6.1% from 2007 to 2012, which is expected to be maintained from 2012 to 2017 (2011, 2013).

Historic/Forecast Sales of Organic Hot Drinks in the United States by Type – Retail Value in US$ Millions

	2011	2012	2013	2014	2015	2016	2017
Total organic hot drinks	375.9	397.3	423.7	448.6	472.6	496.0	533.6
Organic coffee	189.6	201.3	218.8	234.1	248.1	263.9	290.5
Organic fresh coffee	183.1	194.6	211.8	226.8	240.6	256.2	282.9
Organic instant coffee	6.5	6.7	7.0	7.3	7.5	7.7	7.6
Organic tea	182.1	191.9	200.8	210.4	220.4	228.0	239.1
Organic black tea	40.2	41.2	43.0	44.6	46.5	48.0	51.4
Organic fruit/herbal tea	102.3	107.5	114.6	120.7	127.0	131.3	134.0
Organic green tea	39.5	43.2	43.3	45.1	46.9	48.7	53.7
Organic plant-based and malt-based hot drinks	4.2	4.1	4.1	4.1	4.1	4.0	4.1

Source: *Euromonitor International, 2013.*

As hot drinks typically involve less processing than soft drinks, consumers tend to be more willing to pay a premium for the organic label. As economic pressures ease, Americans are also expected to continue to be concerned with the environment and ethics, and spend more on value-added products (Euromonitor, 2011, 2012, 2013). Fair-trade and organic coffee and tea, as well as shade-grown coffee have experienced rising consumer demand.

Sales of Organic Hot Drinks in the United States by Category – % Retail Value Growth Historic/Forecast

	2011-2012	CAGR 2007-2012	CAGR 2012-2017
Total organic hot drinks	5.7	6.1	6.1
Organic coffee	6.2	7.1	7.6
Organic tea	5.4	5.4	4.5
Other organic hot drinks	-2.4	-3.9	-0.2

Source: *Euromonitor International, 2013.*

Datamonitor suggests there may be opportunities for promoting the functional benefits of coffee and tea, and attracting consumers who are health-conscious and wish to reduce their sugar and alcohol intake. Similarly, new product development opportunities could include natural, functional, and weight management product attributes, such as low calorie. Opportunities may also exist in innovative, novel and convenient, on-the-go products with sensory attributes and packaging design. Customization and personalization are also two key trends affecting the hot drink sector and new product development. Nearly three-quarters (71%) of U.S. survey respondents indicate they consider food and beverage "formulated to their specific nutritional needs to be somewhat or very appealing" (Datamonitor, 2012).

Starbucks, along with Celestial Seasonings, comprised the top two organic hot drink brands by value in 2012, representing a combined 35% share of the market. Private label accounted for a notably larger share in organic hot drinks, than in the overall organic beverage market (Euromonitor, 2013).

Top Two Organic Hot Drink Brand Shares in the United States – % Retail Value

Brand	Company	2010	2011	2012
Starbucks	Starbucks Corp.	24.8	23.6	24.0
Celestial Seasonings	Hain Celestial Group Inc., The	11.0	10.8	10.5
Private label	Private label	24.9	23.5	23.3
Others	Other companies	39.3	42.2	42.2
Total	Total	100.0	100.0	100.0

Source: *Euromonitor International, 2013.*

Organic Coffee

According to Euromonitor, organic coffee grew by a notable 7.1% CAGR from 2007 to 2012, to reach a market value of US$201.3 million. This represented a 21.3% value share of the U.S. organic beverage market in 2012. Organic fresh coffee represents nearly this entire market (96.7%) and grew significantly faster than organic instant coffee from 2007 to 2012. Starbucks dominates organic coffee in the U.S., accounting for nearly half (47.5%) of the retail value market in 2012. Private label represented a notable 29.5% market share. Brand loyal consumers aided in maintaining the market during the economic downturn and should continue to drive growth in the future, as the economy continues to recover. Organic coffee is expected to continue to drive organic beverage growth in the U.S., with a CAGR of 7.6% from 2012 to 2017. This growth would result in a market value of US$290.5 and a 24.2% share of the organic beverage market in 2017 (2011, 2013).

Although the U.S. imported more organic products from Canada in 2012, imports of organic coffee from Canada into the U.S. declined slightly to reach a value of US$9.3 million. This accounted for 16.8% of organic imports from Canada. Non-decaffeinated, roasted coffee in retail containers of 2 kg or less accounted for the majority (58.9%) of organic coffee imports from Canada in 2012, followed by decaffeinated, non-roasted coffee (24.3%), decaffeinated roasted coffee in retail containers 2 kg or less (12.2%), and other formats of non-decaffeinated roasted coffee (4.7%) (USDA FAS, 2013).

Organic Tea

Mintel indicates that U.S. tea purchases have been on an upward trend for the past two decades, within retail and foodservice, particularly as consumers increasingly look for healthier beverages that have additional benefits. Tea is also popular on menus, with iced tea the second-most commonly listed non-alcoholic beverage, following soda, and offered in a variety of flavours. The most common hot tea varieties on menus include green tea, herbal tea, chai tea and earl grey (2013).

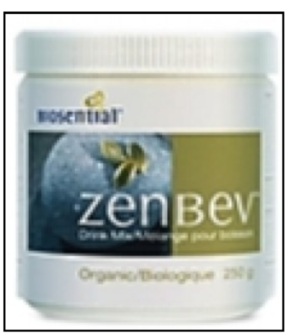
According to Euromonitor, organic tea grew at a slightly slower CAGR (5.4%) than coffee from 2007 to 2012, to reach a market value of US$191.9 million. This represented a 20.3% market share of organic beverage sales, roughly the same as organic coffee. Organic fruit/herbal teas accounted for the largest market share of organic tea sales (56%) in 2012, with organic black tea and green tea each accounting for roughly 22%. However, organic green tea experienced the most growth from 2007 to 2012, with a CAGR of 7.8%. In fact, organic green tea was the fastest-growing of all organic beverage sub-categories. The Celestial Seasonings brand dominated the organic tea market in 2012, accounting for a 21.7% value share of the market, while private label accounted for a 17.2% share; notably lower than in organic coffee (2013).

Health and wellness trends have aided in fuelling the popularity of tea and should continue to do so in the future. In the near-term, Euromonitor predicts that organic tea is expected to continue to grow, but at a slower CAGR of 4.5% from 2012 to 2017. Growth is also expected to even out across organic tea categories, which are all expected to have roughly this growth rate. In 2017, organic tea is predicted to represent a slightly lower share (19.9%) of organic beverage value sales, with a market value of US$239.1 million (2013). The growing health and wellness market will also drive the search for new, innovative and healthy ingredients in food and beverage products. The positive health associations with tea may also provide opportunities for the use of organic tea as a premium ingredient.

USDA data indicates that imports of organic tea from Canada into the U.S. increased by 12.7% in 2012, to reach a value just under US$4 million (7.2% of organic imports from Canada). Organic black tea represented the vast majority (94.2%) of organic tea imports from Canada. Unflavoured green tea represented 3.5% of organic tea imports from Canada, while flavoured green tea accounted for 2.3%. Organic tea imports from Canada from January to February 2013 were nearly double those of the same period in the previous year (USDA FAS, 2013).

Organic Plant-based and Malt-based Hot Drinks

Euromonitor defines this category as other organic hot drinks that are made from powders, granules, blocks or tablets that are malt-, or plant-based, and mixed with milk or water (Euromonitor, 2013). These types of organic drinks have been on the decline, with value sales decreasing from 2007 to 2012 (by a CAGR of 3.9%) to reach a market value of US$4.1 million in 2012, representing a minimal share of the organic beverage market in the U.S. However, this rate of decline is expected to slow in the near future, with a CAGR of –0.2% expected from 2012 to 2017, resulting in a fairly constant market value (2013).

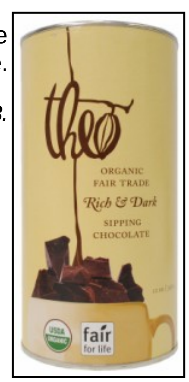


Biosential Zenbev Beverage Mix

Source: *Mintel, 2013.*

Theo Organic Fair Trade Sipping Chocolate.

Source: *Mintel, 2013.*



ORGANIC SOFT DRINKS

According to Euromontor, the U.S. soft drink market has been growing, but at a slower rate than organic hot drinks, with a CAGR of 3.5% from 2007 to 2012. This resulted in a market value of US$546.1 million in 2012, which represented just over half (57.9%) of the organic beverage market in the U.S. (2013). According to Datamonitor, 40% of U.S. consumer survey respondents indicated that “natural ingredients have a high amount of influence on their soft drink choices” (2011).

Historic/Forecast Sales of Organic Soft Drinks in the United States by Type – Retail Value in US$ Millions

	2011	2012	2013	2014	2015	2016	2017
Total organic soft drinks	527.3	546.1	571.8	588.4	612.0	638.7	665.7
Organic liquid concentrates	17.8	18.0	18.5	19.0	19.5	20.4	21.1
Organic fruit/vegetable juice	509.5	528.0	553.3	569.4	592.5	618.3	644.5
Organic 100% juice	375.5	392.9	410.6	421.7	439.7	461.0	481.6
Organic juice drinks (up to 24% Juice)	41.7	39.5	41.0	42.5	44.2	45.8	47.7
Organic nectars (25-99% Juice)	92.3	95.6	101.6	105.2	108.6	111.4	115.2

Source: *Euromonitor International, 2013.*

Both organic soft drink categories have been growing at roughly the same rate from 2007 to 2012, but are expected to diverge in the future. From 2012 to 2017, organic soft drinks are predicted to grow at a CAGR of 4.0% to reach a market value of US$665.7 million. Organic fruit and vegetable juices are expected to drive this growth, with organic concentrates also experiencing increases.

Sales of Organic Soft Drinks in the United States by Category - % Retail Value Growth Historic/Forecast

	2011-2012	CAGR 2007-2012	CAGR 2012-2017
Total organic soft drinks	3.6	3.5	4.0
Organic concentrates	1.1	3.3	3.2
Organic fruit/vegetable juice	3.6	3.5	4.1

Source: *Euromonitor International, 2013.*

New product development is also expected to involve products with multiple attributes in order to differentiate, particularly across health and wellness trends. For example, naturally healthy soft drinks that incorporates ingredients providing an additional health benefit and are organic.

Similar to the U.S. organic hot drink market, Euromonitor data indicates that brand sales are widely distributed throughout the organic soft drink market. The top two organic soft drink brands, Oregon Chai and Welch's, only accounted for a combined 3.6% market share of organic soft drinks. The organic soft drink private label market also has a signficicantly smaller share (8.3%) than the private label market for organic hot drinks (Euromonitor, 2012; 2013).

Top Two Organic Soft Drink Brand Shares in the United States – % Retail Value

Brand	Company	2010	2011	2012
Oregon Chai	Kerry Group Plc.	3.2	3.1	3.1
Welch's	National Grape Co-operative Association Inc.	0.6	0.5	0.5
Private label	Private label	8.3	8.4	8.3
Others	Other companies	87.9	87.9	88.1
Total	Total	100.0	100.0	100.0

Source: *Euromonitor International, 2013.*

Organic Concentrates

This category is defined by Euromonitor as liquid concentrates that are in a ready-to-drink measurement. Organic liquid concentrates have been growing at a CAGR of 3.3% from 2007 to 2012 to reach a market value of US$18 million in 2012. This category comprises only a minimal share (1.9%) of the overall organic beverage market in the U.S., and is dominated by the brand Oregon Chai, by Kerry Group Plc., which held a 92.6% value share of the organic liquid concentrate market in 2012. In the future, Euromonitor predicts that this category will continue to grow with a CAGR of 3.2% from 2012 to 2017, to reach a market value of US$21.1 million (2013).

Organic Fruit/Vegetable Juice

Euromonitor defines this category under three types of juice: organic 100% juice, organic juice drinks containing up to 24% juice, and organic nectars containing between 25% and 99% juice. This category grew at a slightly faster rate than organic concentrates from 2007 to 2012, with a CAGR of 3.5%. This resulted in an organic fruit and vegetable juice market value of US$528 million in 2012, and represented a significant 56% of the overall organic beverage market. Organic fruit and vegetable juice sales are expected to continue growing, at a slightly faster rate in the near future, with a CAGR of 4% from 2012 to 2017. This would result in a market value of US$644.5 million in 2017. In contrast to organic concentrates, brand share is quite segmented across organic fruit and vegetable juice. Welch's, from the National Grape Co-operative Association Inc., is the most prominent brand in the organic fruit and vegetable market in the U.S., but holds only a 0.5% share, while private label accounts for 8.6% of the market in 2012 (2013). Natural beverages tend to dominate over organic beverages within the refrigerated juice and functional beverage market, where there has been trading down to private label organic refrigerated juice, from branded products (Mintel, 2011).

Organic 100% Juice

Organic 100% juice comprised the majority of organic fruit and vegetable juice sales in 2012, accounting for a 41.6% share. Organic 100% juice has also experienced the most growth within organic soft drinks, with a CAGR of 5.1% from 2007 to 2012, to reach a market value of US$392.9 million. Not surprisingly, Welch's brand holds the largest market share, but only with a minimal 0.7% in 2012, which has declined slightly from 1% in 2007. Private label products represent a 7.4% market share in 2012. Organic 100% juice is expected to grow, with a CAGR of 4.1% from 2007 to 2012, and lead growth in the organic fruit and vegetable juice market in the near future. A market value of US$481.6 million is forecast for 2017 (Euromonitor, 2013).

Organic Juice Drinks (up to 24% Juice)

This category comprised a small share (7.5%) of the organic fruit and vegetable juice market in 2012, and is one of the few organic beverage categories that actually declined from 2007 to 2012 (CAGR of –3.8%). Despite past negative growth, this category is actually predicted to have positive growth in the near future, with a CAGR of 3.8% predicted from 2012 to 2017, resulting in a market value of US$47.7 million. Private label products have seen a gradual share increase in the market, with a notable 14.2% share in 2012 (Euromonitor, 2013).

Organic Nectars (25% to 99% Juice)

Organic nectars have seen minimal growth and accounted for 18.1% of the organic fruit and vegetable juice market in 2012. However, in the near future growth is expected to pick up with a CAGR of 3.8% from 2012 to 2017, which would result in a market value of US$115.2 million. Private label market share in this category has remained fairly stable from 2007 to 2012, with an 11.3% share in 2012 (Euromonitor, 2013).

PRODUCT DEVELOPMENT

The following includes an analysis of non-alcoholic beverages launched in the U.S. from January 2007 to 2012 that had an organic claim, based on product introductions tracked by Mintel (2013). The number of organic beverage launches in the U.S. has been on a downward trend since 2007, perhaps due to consumers tightening their spending in an economically challenging environment. Manufacturers may also feel that the organic beverage market is reaching saturation. Organic beverage launches in 2012 represented 11.7% of all organic beverage launches in the U.S. from 2007 to 2012, while in 2007 product launches accounted for 23.2%. The vast majority of launches (54%) were new products, followed by new variety/range extensions and products with new packaging. Private label products also represented 15% of organic beverage launches in the U.S. from 2007 to 2012 (Mintel, 2013).

Organic Non-Alcoholic Beverage Launches in the United States from 2007-2012 by %

	2007	2008	2009	2010	2011	2012
Product launches	23.2	19.4	17.2	14.7	13.7	11.7

Source: *Mintel, 2013.*

Of organic beverage launches in the U.S. from 2007 to 2012, teas were by far the most common, followed by coffee and juice. Tea launches were particularly high in 2008 and 2009, while coffee launches have varied only slightly by year, and juice launches peaked in 2008. However, both coffee and juice launches increased from 2011 to 2012. Ready-to-drink (RTD) iced teas, the fourth-most launched organic beverage, also peaked in 2008 (Mintel, 2013).

Organic beverage launches also used a number of other claims relating to naturalness and health and wellness. Kosher was the most commonly used and represented 14% of all claims* used on organic beverage product launches from 2007 to 2012. Ethical claims (such as fair trade and environmentally friendly) were also popular, as were clean and health-related claims (such as no additives/preservatives, all natural, low/no/reduced ingredients, and antioxidant). Premium claims accounted for 4% of claims used, while genetically modified organism (GMO)-free accounted for 2%.

Top Sub-Categories by % 2012	Top Claims by % 2012*
1. Tea (24% of launches) 2. Coffee (22%) 3. Juice (17%) 4. RTD (iced) tea (8%) 5. Beverage concentrates (6%)	1. Kosher (12% of claims) 2. Ethical – environmentally friendly package (9%) 3. Ethical – human (8%) 4. Low/no/reduced allergen (5%) 5. No additives/preservatives (5%)

Source for both: *Mintel, 2013.*
**Does not include organic claims, as every product analyzed carried an organic claim .*

Of ingredients, herbal substances were the most comonly used in organic beverage launches from 2007 to 2012, followed by fruit and fruit products and flavourings. The most commonly used herbs included: stevia, hibiscus, peppermint, guarana and lemongrass; while spices included: ginger, vanilla, cinnamon, cardamom and cloves. Tea was another common herbal substance ingredient. The most commonly used teas were: green, black, white, rooibos, and mate. The most commonly used fruit and fruit product ingredients were: berries and other small fruits, fruit concentrates, red fruit, fruit juice, and citrus fruits (Mintel, 2013).

Organic beverage launches are widely dispersed across companies and brands. The Coca-Cola Company launched the most organic beverages in the U.S. from 2007 to 2012, with a range of Honest brands, but which only accounted for 2% of launches. Royal Gypsy Tea had the second-most launches with their Zhena's Gypsy brands, followed by Whole Foods Market, Trader Joe's, and Nestlé (Mintel, 2013).

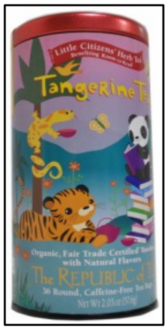
NEW PRODUCT TRENDS AND INNOVATION

Organic Hot Drinks

Within organic teas, healthy and functional properties appeared to be a focus for new product development, with teas that promoted health benefits from energy boosts and stress release, to heart and digestive health, to beauty. Some manufacturers are also expanding into new consumer groups, such as creating teas specifically for children.

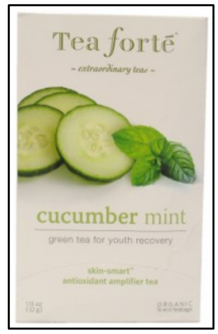
**Does not include organic claims, as every product analyzed carried an organic claim (Mintel, 2013).*

Tangerine Tea



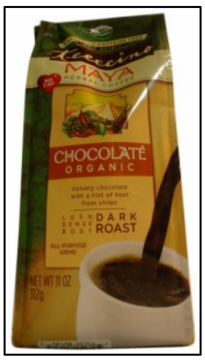
The brand The Republic of Tea Little Citizen's Herb Tea has a line of children's teas that are said to be naturally caffeine-free, possess a number of ethical features, and also come in Strawberry Vanilla and Apple Cherry varieties. This tangerine tea is organic, fair trade, gluten-free, uses natural flavours and retails for US$9.99.

Cucumber Mint Tea



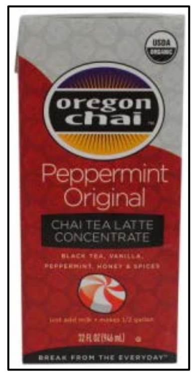
Tea Forté Skin-Smart antioxidant amplifier teas are said to work with body chemistry to take care of skin, through detoxifying effects that aid in skin recovery and fighting visible signs of aging. These organic teas also possess a number of ethical features and retail for US$5.99.

Maya Herbal Coffee



Teeccino's Chocolate Organic Maya Herbal Coffee is said to be a dark roast coffee substitute with a chocolate flavour that has a hint of chili heat. It is a blend of herbs, grains, fruit and ramon nuts that have been roasted and ground to taste like coffee. It is caffeine-free, has a number of health-related benefits and retails for US$7.99 in a number of varieties.

Peppermint Original Chai Tea Latte

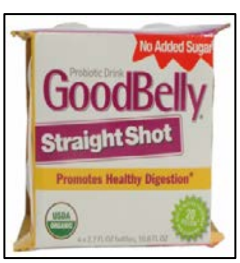


A new addition to the Oregon Chai range, this product is said to contain a blend of black tea, vanilla, peppermint, honey and spices. It is prepared with milk, can be served either hot or cold, and retails for US$2.50.

Organic Cold Drinks

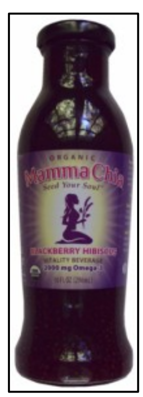
Health benefits also appear to be an area for differentiating new product development in organic soft drinks, particularly healthy ingredients with functional attributes, such as digestive health and energy. Açai, pomegranate, guarana, blueberry and ginger were some ingredients with benefits that were highlighted and used in product launches. The convenience trend is also apparent in new product development.

Probiotic Drink



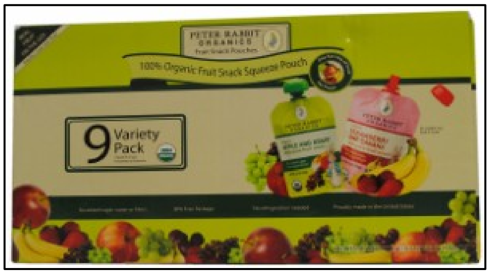
Good Belly Straight Shot's Probiotic Drink is said to be organic and free-from dairy, soy and added sugar, and contains 20 billion live and active cultures for each serving, to promote digestion. A pack contains four bottles and retails for S$2.99.

Blackberry Hibiscus Vitality Beverage



Mamma Chia Seed Your Soul line of organic beverages are said to provide a number of health-related benefits. This drink contains nutrients to naturally provide energy and vitality, is high in antioxidants and also contains 2000 mg of omega-3. It retails for US$3.39.

Source for all: *Mintel, 2013.*



Source: *Mintel, 2013.*

Organic Fruit Snack Squeeze Pouches

Peter Rabbit Organics pouches contain a blend of organic fruit juices, no added sugar, water or fillers, and each provide one fruit serving. The product is marketed for on-the-go and retails in a pack of nine re-sealable pouches for US$9.99.

Organic Tea as an Ingredient/Flavouring

As manufacturers continue to develop new products that meet growing consumer demand for healthy food and beverages, this may also provide opportunities for the use of organic beverages in processed food products. For example, the health attributes associated with tea may pair nicely with it being used as an ingredient in processed foods to differentiate with both premium/novel and healthy attributes. Tea has already evolved into both the hot, cold and powder/concentrate drink sectors, as consumer demand for consuming on-the-go persists, along with interest in the benefits and varieties of tea. Tea is also being used in flavoured organic beverages and energy drinks, and is expanding further as an ingredient/flavouring into a variety of other food products (Mintel, 2013).

Tea has appeared as an ingredient in meal replacement drinks, such as in the organic Orgain Meal Replacement Drink, which is a ready-to-drink product that is said to aid in building muscle and sustaining energy, is free-from caffeine and contains green tea extract. Tea has also been seen as an ingredient in energy drinks and shots, such as the Steaz Organic Fuel Energy Shot which is said to be rich in natural antioxidants and contain green tea, yerba mate, açai, guarana, and B vitamins (Mintel, 2013).

Transforming tea into a frozen format may be another area for product development, particularly in ambient dessert and snack categories that can be perceived as artificial by customers. According to Mintel (2011), to counteract this, manufacturers have been focusing on natural claims and avoiding additives/preservatives in processed products. For example, Arnold Palmer Half & Half Iced Tea and Lemonade Flavored Freezer Bars contain flavours that are natural and artificial, but no have artificial colours. Organic green tea is also being used in gelato and ice cream products, such as Yes! Organic Market's Green Tea Gelato.

Another interesting incorporation of tea is the handmade Rush's Meal in a Bowl consisting of organic blended fruit and granola topping, which includes green tea. Yogurt manufacturers also seem to be increasingly using different and interesting flavours, and green tea is one of them. A Yoplait Vivant! Low-fat yogurt has paired pomegranate and green tea as a flavouring. The use of tea has also moved to the spreads market, where it's again paired with other ingredients to create an interesting flavour palate, such as in the Quince & Apple Fig & Black Tea Preserve which is suggested as an accompaniment to cheese, meat, poultry and seafood.

Tea has also been making an appearance in baked goods and confectionery products. While green tea often seems to dominate as an ingredient in other packaged food categories, the sweeter taste profiles of baked goods/biscuits and confectionery seem to incorporate more diverse teas where black, white and green teas are all being used. Chocolate is being infused with tea, such as earl grey tea, while cookie and biscuit products have paired almond tea cookies and almond tea, and cranberry with rooibos in shortbread cookies. The Tea Room's Organic Tea-Infused Chocolate Drops are also a part of range of tea-infused drops that use a variety of teas (Mintel, 2013).

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Organic Beverage Opportunities in the United States

ISSN 1920-6593
AAFC No. **12079E**

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