

The Strategic Marketing Institute Working Paper

The Market for Organic and Fortified Eggs

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2-0104
January 2004



MSU

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Introduction

Eggs are an important part of the American diet. According to a Mintel survey, 95 percent of consumers use eggs (Mintel eggs). Furthermore, the demand for eggs is increasing. This is due to two factors, a small, but consistent increase in the U.S. population and the increasing demand for high protein foods.

There two market segments within the egg industry that are also increasing. They are the market for organic eggs and the market for “designer” eggs, eggs that have various attributes like additional vitamins or are low in fat. The “designer” or functional eggs now account for 5 percent of the egg market (Nguyen, p.1). The market for organic eggs is also increasing. From 1999 to 2000 the market for organic meat, poultry and eggs increased by 64 percent and it was estimated this market segment increased another 59 percent between 2000 and 2001 (Organic Trade Association, p. 1).

The distribution channel for eggs is also favorable for entrepreneurs. Private label or small manufactures control 95 percent of the market, the largest brand label firm only controls 3 percent of the market (Mintel, eggs).

This paper outlines these trends in more detail. It analyzes the market for eggs, the market for organic eggs and the market for functional eggs.

The Egg Market

Americans like to eat eggs. From 1991 to 2002, per capita consumption of eggs increased 12.5 percent. Per person consumption of eggs is now in excess of 262 per year (Mintel eggs). Eggs are found in virtually every household in the U.S. One of the drivers of the increased demand for eggs is the interest in high protein diets. Eggs are

very high in protein and as a result, it appears that this has helped increase the demand for eggs.

Most eggs are purchased for home consumption (Mintel eggs). However, food manufacturers account for a fairly large proportion of use. Few eggs are exported.

Private label eggs accounted for more than 75 percent of the egg market in 2000. Other small firms accounted for an additional 14.4 percent of the market (Mintel, eggs). Compared to most food products, the level of concentration in the egg industry is very small. The lack of dominance of a few large firms in the egg industry indicates that there may be opportunities for smaller firms and individual farmers to enter the market.

Related to the issue of organic eggs is the treatment of chickens. Major food firms such as McDonald's and Burger King have instituted policies with respect to the treatment of chickens their suppliers control. There will be a trend towards eggs produced by free range chickens.

Organic Eggs

The outlook for organic foods in general and organic eggs in particular is positive. The number of consumers of organic foods is increasing and has become a rather large number of food consumers. Overall organic products make up less than 2 percent of the total U.S. food and beverage market (Mintel Organic, p.4) however, this is an indication of the potential for growth in this industry. The U.S. food industry is mature; the organic food industry is still in its infancy.

This more true for meat and dairy items that it is for other types of food. Sales of organic meat and poultry products were \$93.6 million in 2000 and increased by 130.6 percent to \$215.8 million in 2002 (Mintel organics, p. 26). One thing that is driving the

increased consumption of organic meat and poultry items is a change in the regulatory environment. Meat and poultry items were not allowed to be labeled organic until 1999 (Mintel organics, p.27). Nationwide standards for all organic products were not standardized until 2002. A nationwide standard for organic products may encourage consumer acceptance and faith in products that are labeled organic.

The consumer base for organic foods is increasing. The results of a consumer survey by Mintel indicate that 37 percent of consumers purchase organic food (Mintel organic, p. 67). Seven percent of consumers actively shop for organic products and 30 percent occasionally shop for organic products. It should also be noted that 20 percent of food buyers are interested in organic but do not buy (Mintel organic, p. 67). This indicates that there is definite upward potential in the organic market. Also, there appears to be no major difference in gender, racial or economic characteristics of buyers. Organic shoppers are increasingly becoming more and more similar to society as a whole.

The distribution network for organic foods is complex. Specialty retailers play a large role in the organic market. However, as the market has grown supermarkets and major food manufacturers are entering the organic market. Given the distribution channel for eggs however, there appears to be potential for small firms and individual farmers who wish to enter the organic egg market.

As a result of consumer concerns about food safety, the egg market has undergone several changes. This is true in both Europe and the U.S. Land O' Lakes *All Natural Farm Fresh Eggs* are produced by hens that are fed an all-natural, whole grain diet that is free of hormones, animal fats, and by products. This is becoming the industry standard in

the U.S. In Italy Unione Cascine Valpadana sells organic eggs under the Oro brand (Mintel eggs).

Nutrient-Enhanced Eggs

Another trend in the egg industry is the move towards nutrient or “designer” eggs. The most popular nutrient-enhanced eggs are those that are low in fats and high in Omega-3 fatty acids. Omega-3 fatty acids have been shown to protect against heart disease, and may improve skin and relieve arthritis (Mintel eggs).

It has been estimated that nutrient-enhanced eggs now account for almost 5 percent of the market (Nguyen, p.1). Eggland’s Best Eggs, the nation’s largest egg producing company increased its sales of nutrient-enhanced eggs by 25 percent from 2002 to 2003 (Nguyen, p.1).

These eggs sell at a price premium. On average, the price of nutrient-enhanced eggs is approximately one dollar a dozen more than regular eggs (Nguyen, p.2), and often the price premium is greater than that. Clearly, there is a growing market for nutrient-enhanced eggs. Furthermore, this trend, often known as the trend towards functional foods, may spread to other food items such as milk and fruits and vegetables.

Marketing

Finding buyers for eggs will be a challenge for firms trying to enter the organic or nutrient-enhanced egg market. While most eggs sales are private label, a new entrant has to be able to prove to retailers that it is a reliable supplier. Also, if a farm is interested in selling organic eggs it needs to be certified from a government approved certifying agency. A firm interested in selling nutrient-enhanced eggs will have to alter its feeding practices in order to alter the nutrient content of the eggs the firm’s hens produce.

Nonetheless, compared to many other value added agricultural enterprises, entry into the egg market is comparatively easy. Many eggs are produced and consumed locally. The marketing channels for organic eggs are often different than the marketing channel for normal eggs. Identifying buyers will be of utmost importance.

Conclusion

Eggs are found in virtually every home in the U.S. Furthermore, the demand for and interest in organic foods is increasing and is becoming more broad based. This has positive implications for farmers and firms interested in the organic egg market. The market for organic eggs is not as established as the market for organic fruits and vegetables.

The market for nutrient-enhanced eggs is also growing. Interest in healthy foods and high protein diets has led to an increase in demand for eggs in general and specialized eggs with nutritional attributes in particular. Furthermore, these types of eggs obtain a price premium in the market.

While no single firm or group of firms dominate the egg market, organic and specialty egg producers need to be able to identify specific buyers for their products. Furthermore, organic producers need to be certified, and farmers interested in selling nutrient-enhanced eggs will need to change their feed management practices.

Sources

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