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## Consumer Trends in Iowa and Greater Des Moines for Natural Foods

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As evidenced by the recent explosion of farmer's markets, as well as the increase in shelf space devoted to natural and certified organic products in conventional markets, there is a large and growing demand for such products within several key urban centers in Iowa, including the greater Des Moines and Iowa City/Cedar Falls regions. What are the key demographic characteristics of those customers who are interested in purchasing natural foods?

A 1999 study by Cooperative Development Services (CDS), which provided a demographic analysis of Natural Food Markets in Iowa, noted that natural food shoppers tend to have the following demographic characteristics:

- Age: mid-thirties to mid-fifties
- Education: bachelor's or advanced degree
- Household income: \$50,000 or above
- Occupation: employed in managerial, technological and professional fields.

The CDS study ranked the Des Moines Metropolitan Statistical Area (MSA) second only to Cedar Rapids in its residents' propensity to buy natural foods.<sup>1</sup> Within the Des Moines MSA, the study presented the following market data covering the period 1998 through 2003.<sup>2</sup> Significant growth was expected within the region both with respect to proportion of high income households and the percentage of residents with college education or higher, the later being the most important predictor of natural foods consumption.<sup>3</sup>

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<sup>1</sup> According the 2000 US census, the greater Des Moines metropolitan area is Iowa's largest metropolitan statistical area (MSA). The three county greater Des Moines area (Dallas, Polk and Warren counties) has a population of 456,022, aggregated into 184,247 households. It contains approximately 16 percent of Iowa's population of 2.9 million persons. The other four major Iowa MSAs include: Cedar Rapids/Iowa City (302,707), Davenport (158,668), Dubuque (89,143) and Waterloo (101,854). (Appendix B, Tab 5, p. 1, Appendix B, Tab 6, p. 1, and Appendix B, Tab 7, p.1)

<sup>2</sup> Cooperative Development Services, Inc., Overview of Natural Foods Market in Iowa, May 10, 1999. (Appendix B, Tab 8, pp. 10-11)

<sup>3</sup> Level of education has been shown to be one of the strongest predictors of the propensity to buy natural foods. (Ibid., p. 13.)

<b>Criteria</b>	<b>% of Des Moines Residents (1998-2003)</b>	<b>Comments</b>
<b>35-54 age group</b>	30 to 30	Little change expected
<b>Education, College Degree or higher</b>	18 to 25	Significant growth expected
<b>Household Income &gt; \$50,000</b>	43 to 52	Significant growth expected
<b>Professional or technical occupation</b>	23 to 24	Little change expected

Of course, proof of concept for a natural foods market already exists within the Cedar Rapids MSA. Iowa City is home to the state's most successful natural foods grocery, the New Pioneer Cooperative, with two locations, one in downtown Iowa City and a second, new store in Coralville. Incorporated in 1971, the New Pioneer Cooperative now boasts more than 12,000 members and has annual sales of approximately \$12 million.<sup>4</sup>

In contrast, the Des Moines MSA, with a population roughly 50 percent larger than the Cedar Rapids MSA, is currently served by a highly fragmented market of natural food providers. These include:

- Two small, local health/natural food store concerns, Campbell's Nutrition, with one store in Des Moines and one store in Urbandale, and New City Market Natural Foods, with a single location in Des Moines.<sup>5</sup>
- Two conventional grocery store chains: Hy-Vee, an employee-owned corporation operating more than 200 retail stores in seven Midwestern states, including twelve stores in the greater metropolitan area; and Dahl's, an Iowa based company, with 11 stores in the Des Moines metro market.

Neither of the two leading national natural food chains, Whole Foods Market, Inc. or Wild Oats Markets, Inc., has a store in the state.

### **About the Author**

John Norwood has more than 13 years of program development and promotion experience in the public, private and non-profit sectors. Before moving to Des Moines, Iowa, with his wife Lisa, an assistant professor of English at Drake University, Norwood oversaw the investment and management of \$50+ million in public and private funds as the executive director of the South Livermore Valley Agricultural Land Trust (SLVALT). An innovative public benefit corporation,

<sup>4</sup> New Pioneer Cooperative, Board President's Report, May/June 2002 (Appendix C, Tab 2, p.14) and Treasurer's Report, October 8, 2002. (Appendix C, Tab 1, p. 12)

<sup>5</sup> Natural food stores derive 40% or more of total sales from natural foods. In contrast, health food stores rely on sales of health supplements for 40-80% of total sales. Rudy Kortbech-Olesen, International Trade Center, The United States Market for Organic Food and Beverages, March 2002. (Appendix B, Tab 2, pp. 24-25)

SLVALT works cooperatively with three municipal jurisdictions, local developers and other stakeholders in the San Francisco Bay area to achieve jobs, housing, and agricultural enhancement goals.

Prior to that he spent more than 10 years in management positions across the public, private and non-profit sectors, with functional expertise in product marketing, corporate finance, business strategy and operations. Norwood is familiar with many leading consumer trends in natural and certified organic foods, having lived in both the San Francisco Bay and the greater Boston areas for more than 35 years.

A native of Boston, Norwood received his BA from Williams College in 1987. He holds MBA and MEM (Masters' of Environmental Management) degrees from Yale University, 1993. Norwood is a member of Practical Farmers of Iowa (PFI), the New Pioneer Cooperative in Iowa City and the Iowa Network for Community Agriculture (INCA).