



Organic fertilizer companies see growing market, but efficacy debated

By MarketWatch

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NEW YORK (MarketWatch) -- The clean-sounding catchword "organic" is fueling buzz in perhaps the dirtiest of products: fertilizer.

While organic products represent a tiny share of the \$40 billion fertilizer market in the U.S., demand is growing along with that for organic foods and other items. This has prompted several companies, mostly small and regional but also including big corporations such as Scotts Miracle-Gro Co. ([SMG](#)), to bet on producing the planet-friendly fertilizer.

"There's an organic market growing every minute," said Ari Stines, a director of marketing and sales for fertilizer maker Organic Growing Systems Inc., owned by Advanced Growing Systems Inc., which trades on the pink sheets under symbol AGWS.

Scotts Miracle-Gro has been adding new organic plant-growing products under its four-year-old Organic Choice brand. In addition, two small organic fertilizer companies have had initial public offerings within the past year: Advanced Growing Systems and Converted Organics Inc. ([COIN](#)), which made its stock-market debut last month.

Sales of Scotts Miracle-Gro's organic products have been growing by 15% to 20% a year, even as conventional lawn-products sales grew by 5%, the company said. Miracle-Gro estimates the total organic lawn and garden market at \$400 million, with fertilizers at \$60 million.

"Over the last few years, (demand) really started to pick up some momentum as consumers are looking for simple solutions, a sort of getting back to nature," said Keith Baeder, vice president of marketing for Miracle-Gro's growing media business.

Converted Organics started trading last month on the Nasdaq and proposes turning food waste from the general waste stream into fertilizer, which the company says would relieve the burden on landfills and generate revenue, approximately \$13.6 million annually at first. Its staff of four will use the funds from the public offering to build the company's first facility within the next year to 18 months.

The Boston startup sees the market as relatively open, with a diverse customer base and relatively few large players. Most organic fertilizer producers operate regionally or locally, though firms such as Scotts Miracle-Gro and closely held Perdue Farms Inc. are among the few national providers.

"You can carve out geographic areas because the companies are so small," said Martin Reiner, president and chief executive of Organic Growing Systems, owned by Advanced Growing Systems. Customers for organic fertilizer companies include grocers such as Whole Foods Market Inc. ([WFMI](#)) which retail the product, along with golf courses and parks, small farms, and home gardeners. Organic Growing Systems' primary customer is a Texas county that uses the fertilizer to rehabilitate grounds in flooded areas. Companies say that, because of the diversity of customers, it's hard to give specific growth figures on the market.

Seeking to capitalize on growing demand, a few companies have developed an organic fertilizer from their existing operations. Perdue uses the litter from its chicken operations and sells it to companies such as Miracle-Gro. Other brands, such as Nature Safe Natural and Organic Fertilizers, a division of Griffin

Industries, takes pet food ingredients - blood, bone, feather, fish, meat and grain by-products - from their main business to sell fertilizers with animal proteins.

"It's a nice component to our business," Rick Geise, the brand's director of marketing. "We're finding different markets."

Still, several associations and conventional producers view organics as a niche, and an unnecessary one at that. Large fertilizer companies like Agrium Inc. ([AGU](#)) and Terra Industries Inc. ([TRA](#)) as efficient as synthetic fertilizer, said a spokeswoman at the Fertilizer Institute, a trade group that counts organic producers and retailers among its members.

Organic fertilizer experts, including scientist and industry members, debate the definition and usefulness of the fertilizer. Critics say they offer no health or growth benefits, while supporters say the opposite, adding they improve the environment.

The U.S. Department of Agriculture sets specific rules and procedures for the production of organic materials, while companies are certified by the states and agencies such as the Organic Materials Review Institute. But several companies skip those certifications, calling them costly and unnecessary - at no harm to sales. Products don't have to be certified to use the word "organic," as is the case with Scotts Miracle-Gro's organic products.

Some of the fertilizers' selling points are also debated. Organic companies say the products offer a slow, consistent release of nutrients, which foster microbial life and is better for the soil. They say the fertilizers' lower levels of nitrogen reduce the risk of water contamination.

Skeptics say there's no difference from synthetics, which have high levels of nitrogen and other nutrients. Plants need nitrogen, phosphorus and potash - a fertilizer's key components - and can't recognize the source. They also say that farmers need to buy exponentially more organic fertilizer to match nutrient-rich synthetics.

"Completely organic agriculture isn't going to produce the food to feed the country or the world," said Kathy Mathers, spokeswoman for Fertilizer Institute.

-Contact: 201-938-5400

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