Northern Ireland Organic Market Study

1.0 Aims and objectives

The overall aims of the project are to benchmark organic production and processing in Northern Ireland, identify the level of market penetration of indigenous products and to develop a range of recommendations based on the market intelligence collected. The report also contains information that will enable DARD and other key stakeholders to develop strategies to support and develop the Northern Irish organic market.

To fully address the overall aim of the project there are 8 main objectives. These are:

- ascertain current organic production and processing capacity in Northern Ireland;
- establish the value of current spend on organic food in Northern Ireland;
- establish the value and range of organic food stuffs imported into Northern Ireland;
- investigate producer, processor and retailer activities regarding the marketing of organic produce;
- investigate producer, processor and retailer attitudes regarding the future prospects of the organic market and their perceived constraints to further development;
- investigate consumer buying behavior and attitudes to indigenous organic produce;
- investigate the nature of supply network relationships and how they effect the construction of the organic supply network in Northern Ireland.

1.1 Methodology

The project consisted of three main areas of research collectively designed to meet the objectives laid out above. These were:

- a questionnaire survey of producers involved in Northern Ireland's organic supply network;
- telephone or face-to-face interviews with organic processors, retailers and other appropriate stakeholders throughout Northern Ireland;

- a consumer focussed piece of research conducted by MORI (See appendix 1 for a full methodology and survey questions).

Additionally to inform the project work desk based research into the sector was carried out collecting all available background information on the organic market and agri-food industry.

1.1.1 Surveys

A total of 204 organic and in-conversion producers, identified from a comprehensive list compiled by DARD Northern Ireland, were sent questionnaire surveys (See appendix 2). To maintain producer confidentiality DARD carried out mailing on behalf of the Soil Association. The survey included questions referring to the scale and value of their business and also gave room for producers to give their views on the organic market.

Contact details of organic processors were gathered from the 5 organic certification bodies that operate in Northern Ireland. Contact information on organic retailers was gathered from several sources including the organic directory and various stakeholders. Processors and retailers were interviewed either in person or over the phone. The interview process included a standard survey to quantify market size and value and were conducted in a manner that allowed the stakeholder to express their thoughts on the limitations and opportunities that were faced by the sector (See appendix 1).

In order to gain complete coverage of the market MORI were contracted to investigate the retail and consumption of organic food in Northern Ireland. Two other recent studies on consumer behaviour with regards to purchasing Northern Irish and organic produce were built upon in the development of the MORI consumer questions.

1.1.2 Project Limitations

A successful postal survey is reliant upon a reliable delivery service and a co-operative and willing survey group. Unfortunately industrial action by postal workers within Northern Ireland delayed questionnaires being received by up to three weeks holding the entire project back. In some cases the strike may have meant that farmers did not actually receive a questionnaire and were unaware that the project was taking place.

The nature of some of the data needed by the research team was deemed to be commercially sensitive by a number of producers, processors and retailers who subsequently refused to divulge the information required. This was especially apparent when investigating the producer – processor relationship with both parties being reticent to reveal the quantities and prices of products being traded and the nature of the agreements between them. Additionally when a number of producers were contacted by phone several stated that they would not co-operate with a DARD project and refused to give any information on their business.

Every effort was taken to contact all relevant parties for the producer, processor and retail surveys. Numerous attempts were made to make contact and collect the required information. In some instances, due to a general reluctance to divulge information on the part of stakeholders, the survey team were not able collect the relevant data.

In instances where multiple retailers are purchasing large quantities of organic produce and processing or distributing centrally it is very difficult to track and find where in the UK it is finally being sold.

The unusually high level of reluctance to divulge information on volumes and prices resulted in the research team not being able to fully quantify the organic food supply network in Northern Ireland as originally intended.

2. Background

The study was commissioned by DARD on behalf of the Organic Action Plan Group in Northern Ireland (OAPGNI). The report builds upon the recommendations and points raised in the Food Strategy Group's Fit for Market Report 2004. It meets the objectives of developing an understanding of the market and improving market intelligence for a key growth area. Although no specific targets have been set by DARD, encouraging the expansion of organic production is one of the main actions set out to support the themes of sustainability which were outlined in the 2005 DARD Business Strategy.

The following section gives a brief overview of the organic market in Northern Ireland and puts it into the context of the organic sector in the Republic of Ireland, the UK and Europe.

2.1 Europe

The total certified organic land area in Europe (including the new member states) reached a total of around 6 million hectares or about 4 % of total farmland in 2004. The European market value of organic food was estimated to be around £8 billion. Organic land area increased by 1.6 % throughout 2004. Despite this the number of organic farms within Europe decreased slightly[1].

Official statistics on retail sales values of the organic sector are still not available in a common format. There are various methodological differences in data collection and analysis between countries making the measuring of overall market trends and developing comparable European wide data difficult. The European Information System for Organic Markets (EISfOM) has been working to resolve these issues and improve market information for the organic farming sector throughout Europe.

2.2 United Kingdom

In the UK, as of January 2006, there were 4,343 organic and in-conversion holdings and 631,141ha of land managed to organic standards. The total area of organically managed land decreased by 8% in 2005 however the amount of land going into conversion increased by 68% to 87,020ha. Retail sales of organic produce in 2005 were worth an estimated £1.583 billion, a growth of 30% on the previous year.

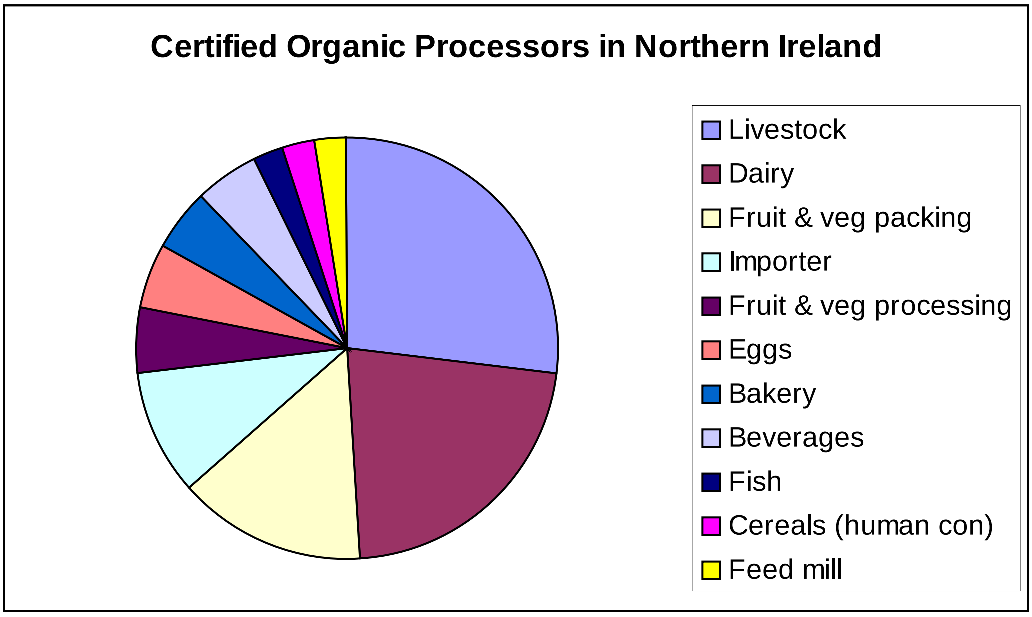
2.3 Republic of Ireland

In Ireland, as of 2004, there were around 900 producers and 30,670 hectares of organically managed land (0.7% of the total agricultural land area of the Republic of Ireland)[2]. The Organic Development Committee (a stakeholder group set up to develop the organic sector in the Republic of Ireland) suggested that organic land area could reach 3% of the total agricultural area by 2006. Unfortunately due to uncertainties that existed before the recent CAP reform the organic sector has remained fairly static in recent years, making it unlikely that the 3 % target will be met. In 2005 the Republic of Ireland National Steering Group decided that the target was more likely to be reached by 2010[3]. Throughout the Republic and Northern Ireland farming is generally grass-based with the organic sector being no different. The Republic of Ireland is self-sufficient in organic beef and lamb and is on occasions in a state of over-supply[3]. However the dairy industry is comparatively underdeveloped and it is thought there is potential for growth in this area[3]. A challenge in the Republic of Ireland in the coming years is in overcoming the supply deficit which exists within the horticulture sector[3].

2.4 Northern Ireland's organic market

As of September 2006 0.9% (10,154hectares) of Northern Irelands total agricultural land area was in organic production, an increase of 51% on the previous year. The average farm size in Northern Ireland has decreased in recent years from 42ha in 2003 to 38ha in 2005, but in 2005 it increased to 47ha. The number of registered and in-conversion producers increased by around 21% to 214 well above the UK average[1].

Northern Ireland saw a 27% increase in processor numbers from 41 in January 2005 to 52 in January 2006. However despite growing interest within the sector a number of organic processors remain inactive and retailers remain heavily dependent on imported processed organic goods.



In 2000 the report *Organic Farming in Northern Ireland: A Development Strategy* suggested that around 1000 farms could have converted or be in the process of converting by 2006 and that 30,000 hectares of land may be organically managed

(2.79% of its total agricultural land space). However, levels have unfortunately fallen far short of these estimates. Possible reasons for slower growth within the sector may include the foot and mouth crisis, and poor weather preventing producers from initiating conversion. The report also indicated that a number of obstacles might be hindering the development of the sector.

These were:

- the predominance of specialist livestock systems hindering the adoption of mixed, organic rotations;
- apprehension about sustainability of organic price premiums and adequate farm demands e.g. organic milk - classic case of oversupply;
- the general state of agriculture in Northern Ireland meaning a lack of capital available for investment;
- lack of available labour;
- consumer confusion over labelling;
- concern that resistance from Northern Ireland consumers will limit domestic demand;
- Organic imports.

Obviously during the 5 years since this report was published the situation will have changed and some of these problems may no longer be as relevant as they once were. However this list summarises the issues faced by farmers when converting and will be considered in the report.

2.4.1 Northern Ireland's organic consumers

Recent studies have investigated consumer attitudes and spending on organic produce in Northern Ireland. These examined specifically attitudes and frequency of purchase and average spending on organic and local food, the percentage of consumers buying organic food and the demographic profile of consumers of local and organic produce.

A 2005 PERIscope study showed that a high proportion of Northern Irish consumers considered the purchase of Northern Irish food to be important, with:

- 11% stating that it was very important;

- 30% stating that they considered it to be fairly important;
- 21% of consumers stating that they viewed the buying of local produce when shopping to be very unimportant.

According to a consumer survey carried out by IGD 25% of consumers had bought organic food. The majority of Northern Irish organic buyers are female, aged over 35 and are categorised as being from the ABC1 social group[12].

The organic produce categories that were most frequently purchased were:

- dairy products (34% weekly, 63% monthly);
- vegetables (31% weekly, 69% monthly);
- fruit (28% of organic consumers purchased weekly and 65% monthly);
- poultry (15% weekly, 49% monthly);
- cereals (10% weekly, 42% monthly).

Around 40% of organic consumers stated the main reasons for buying organic food were that it was higher quality and better for you. The better taste and absence of artificial chemicals and pesticides also registered highly as reasons why to buy organic. Only 9% of organic consumers stated their main reason for buying organic was that it is better for the environment[13].

UK wide studies carried out in both 2003 and 2005 showed that there was a significant increase in the proportion of organic consumers who perceived organic produce to be of higher quality and better taste than non organic.

2.4.2 Northern Ireland's agri-food sector

There is a lack of information on the organic market within Northern Ireland. However there are some important trends in the overall agri-food sector that should be noted. A large proportion (70.1%) of Northern Irish farmland is classified as Less Favoured Area (LFA) designated as such under EU legislation due to the relatively poor agricultural conditions that prevail[6]. Additionally well over half of the LFA has been designated as Severely Disadvantaged where agricultural production is considered to be severely restricted. Around 19,000 farms or 70 % of farm businesses are within the land designated as LFA[5]. The majority of agricultural land is grass-based and Northern Ireland's farming and food-processing industry is dominated by livestock and their products. In 2004 a large proportion of the gross output of Northern Irish agriculture was taken up by cattle and milk (60 %) while horticulture and crops took only 9 %[6]. Beef, sheep meat, and milk and milk products accounted for 46 % of the total gross turnover of the food and drinks processing sector in 2004 (provisional figures) again reflecting the dominance of livestock over the industry[7].

The processing sector exports the majority of its products with 59 % of total sector sales going outside Northern Ireland. The rest of the UK accounted for 35 % of sales and the Republic of Ireland a further 14 % of total processing sector sales. All sub-sectors relied upon market outlets in the UK[7].

In retail, as with the rest of Great Britain, a number of multiple retailers are beginning to dominate the market. Figures from 2001 show that Tesco takes around a third of the grocery market while Safeway and Sainsbury take another fifth between them.

Table 2.1 Retailer share of Northern Ireland's grocery market 2001[8].

Retailer	**% share NI grocery market**	**No. stores**
Tesco	28.9	35
Safeway	11.7	12
Sainsbury	8.2	7
Iceland	7.1	32
Symbol Groups	6	Spar 235 Vivo 117
Dunnes	5.6	15
Co-op	5.5	30
NISA	4.5	30
Super Value	4.1	29
Marks and Spencer	4	7
Others (including Lidl)	15.3	NA

Northern Ireland has a number of countryside management schemes and codes to protect natural resources. There are 5 locations around Northern Ireland (taking up around 20% of the land area) that are designated as Environmentally Sensitive Areas (ESA). These areas have a high value in terms of environmental heritage. The ESA scheme encourages farmers to manage their land in an environmentally sensitive way through land area payments. For areas outside the ESA the Countryside Management Scheme (CMS) provides similar payments. Both schemes focus on maintaining biodiversity, water quality and managing landscape and heritage features. A total of 25% of the land area in Northern Ireland is covered by the two schemes[14].

The following chapter will present information specifically relating to each of the different sectors and the results of the surveys and interviews carried out by the research team. The results will then be discussed and a number of recommendations made for developing the organic market within Northern Ireland.

3.0 Survey Results

The producer survey was sent to 204 producers in Northern Ireland who were identified by DARDNI as either being certified as organic or in the process of conversion. Responses were received from 67 farmers - an overall response rate of 33%.

In June 2006 DEFRA provided information on organic land use within Northern Ireland. The table shows that there are 6,368ha of organic land and 3,181ha of in conversion land. The majority (92%) of this land is used for permanent pasture and temporary ley and arable, fodder, silage and other crops take up 4.4%. Just 0.7% of the total organic land area is being used for horticulture.

Table 3.1 Northern Ireland's organic land area. DEFRA, 2006

Land use	Land area ha		% of total
	conversion	organic	
Arable	118	240	3.7
Fodder, silage and other crops	18	52	0.7
Horticulture - fruit, veg, salads and herbs	3	33	0.4
Horticulture – potatoes	6	19	0.3
Non-cropping			0.0
Permanent pasture	2,161	3,873	63.2
Temporary ley	697	2,043	28.7
Unknown	139	29	1.8
Woodland	40	79	1.2
Total	3,181	6,368	

The dominance of livestock within Northern Ireland is also reflected in the producer questionnaire survey (outlined below). Figure 3.1. presents the number of responses broken down by sector. Half of all respondents (50%) were involved in cattle/beef production and 25% were involved in sheep production. All but one sheep farmer also reared cattle. A further 24% of respondents produced table birds and table bird production was the sole enterprise for all but one of these producers (table birds defined as poultry reared for meat – where the term poultry is also applied to ducks, geese and turkeys as well as chickens[15]). Fewer than 12% of respondents were involved in fruit and vegetable production with 2 growers also involved in rearing livestock. A further 18% of the respondents were involved in dairy and egg production (9% for each) and 10.4% grew grains and pulses, all of whom also reared livestock. On average, respondents were involved in 1 to 2 enterprises.

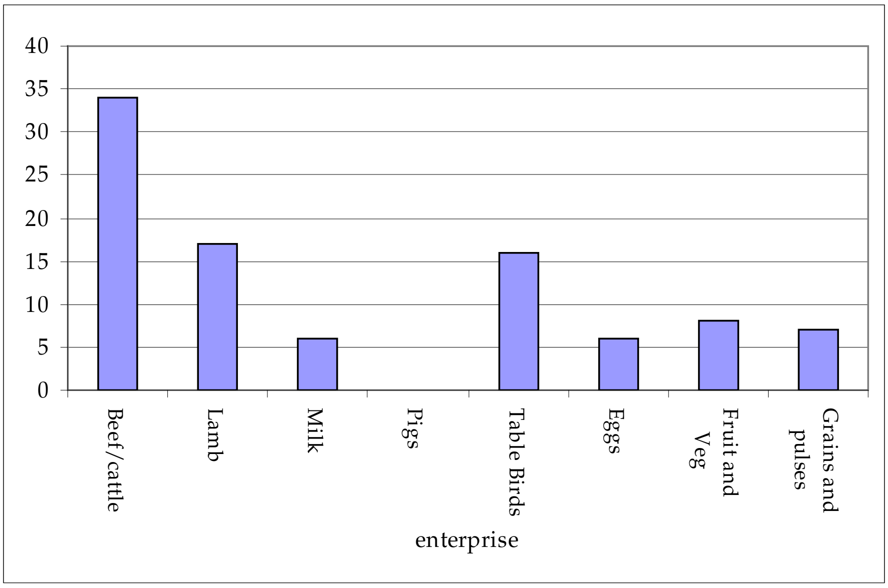


Fig. 3.1 Total number of responses from organic producers by sector.

A total of 22 organic processors were identified in the research.
Of these :

- 6 handled meat with 2 processing beef, 1 lamb and 1 pork, 2 chicken;
- 6 processed milk;
- 2 processed eggs;
- 6 processed fruit and vegetables of which 3 processed apples, 1 handled mushrooms, 1 potatoes and 1 supplied vegetables to a box scheme and multiple retailer;
- 2 processed cereals: 1 feed and 1 oats.

Organic production figures for Northern Ireland have not been collected before so no comparisons can be made. The data set has been used to estimate total numbers of organic stock and production figures for Northern Ireland (See appendix 1). The following section outlines the results of the producer and processor survey presenting the results by sector.

3.1 Organic beef

3.1.1 Producer Survey Results

The survey elicited a response from 34 producers who were involved in beef and cattle production (50% of survey respondents). Of these, 7 stated that they were still in conversion. Respondents reported that during 2005 they produced, or held on farm 255 organic breeding stock, 708 organic growing cattle and 467 finished organic cattle.

Store cattle sales

A total of 8 respondents (or 24% of the beef producers) sold 209 growing cattle as organic stores, all of whom sold directly to another producer for an average price across all age ranges of £450.90 per animal. The majority (181) were sold between August and December. The survey found that 15 organic store cattle were sold as non-organic for unspecified reasons, and a total of 30 cattle were sold by 3 producers as non-organic because they were still in-conversion. The majority of growing cattle (454 cattle) were retained on the farm of production for finishing. When the figures from the respondents are extrapolated to take account of the producers who didn't respond, in total it is estimated that 652 store cattle may have been sold as organic in 2005 for a predicted total sales value of £225,000 in 2005 (see Appendix I for methodology).

Finished cattle sales

A total of 15 producers (45% of beef/cattle producers) sold 458 finished cattle as organic in 2005. All of the finished organic cattle produced by respondents were sold as organic. The graph below shows the general trend in production throughout the year with greater numbers being sold in the autumn and spring months.

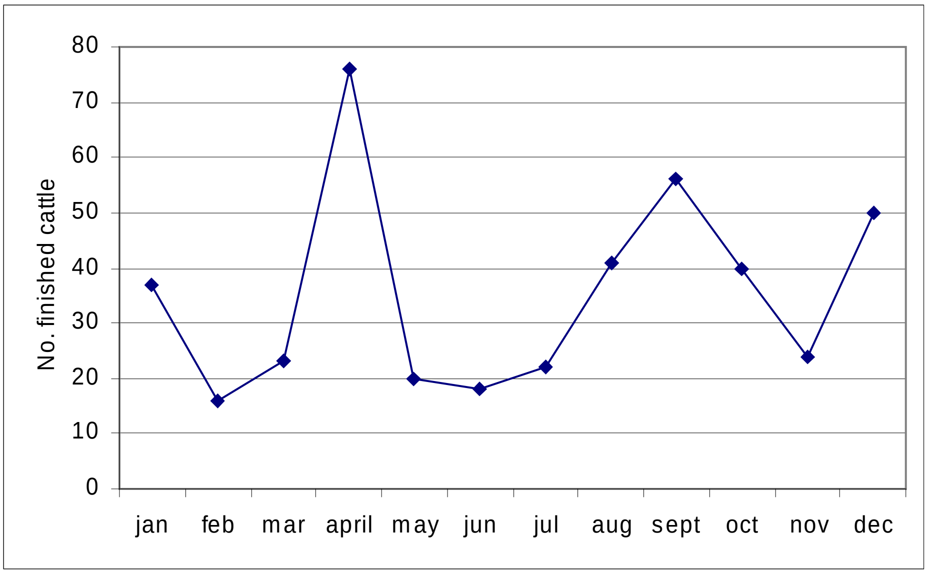


Fig 3.2 Seasonal production of finished organic cattle, 2005. Data given by 12 respondents and a total of 423 finished cattle.

The survey found a total sales value for finished organic cattle of £329,160. All respondents sold a proportion of their cattle to one processor ABP in Newry. One producer was also selling a small proportion of his finished cattle direct to the public. Extrapolating the figures to take into account the number of respondents it is estimated that the total sales value for finished cattle in Northern Ireland could be £960,000 in 2005 (see Appendix I for methodology).

3.1.2 Processing

Currently there are two abattoirs in Northern Ireland processing organic beef (ABP and Linden Foods). ABP is the largest certified organic abattoir in Northern Ireland with a throughput of approximately 991 organic head per annum, representing approximately 1.7% of their total plant throughput. All organic output from ABP Newry currently goes for further processing and packing in a sister plant, ABP Ellesmere, England and is sold to Sainsburys. It is not known whether a proportion of this organic beef is sold in Northern Ireland but the majority is distributed and sold throughout the rest of the UK. In September 2006 ABP Newry plans to start running a small retail packing plant and begin supplying Sainbury's in Northern Ireland with organic beef. The main geographic catchment area for ABP is from Coleraine to Kilkeel. Additionally, ABP has worked with organic farmers to establish a steering group for organic beef production in Northern Ireland.

The smaller certified organic abattoir (Linden) has recently started operating in partnership with a local co-operative (North West Organics). North West Organics are currently supplying Linden with approximately 15 head of organic cattle a month (However this figure does vary depending on the quantity North West Organic can source). Linden will take more organic cattle if it can be supplied. The stock will be slaughtered and sold on the bone to another processor in Wales for further processing and retailing in the UK through Tesco.

A third abattoir (WD Meats) are licensed for processing organic beef but have not slaughtered any in almost two years. However, they have maintained their registration and may start again in the future.

3.1.3 Organic beef sales direct to the consumer

The survey found a small number of farmers involved in selling organic beef direct to consumers; 2 producers selling beef direct through farmers markets' 2 through farm shops and 1 via a box scheme. All have a consistent market for their products, and can provide enough to satisfy demand.

Producers involved in direct sales were reluctant to state the price received for organic beef. However, after accounting for the additional overheads, there was consensus that it was more profitable than selling through an abattoir. None of the producers have a definite marketing strategy with direct sales being a 'secondary' market outlet that had grown to be a profitable side to the farm business.

3.1.4 Constraints and opportunities

Northern Ireland's current production level of organic beef does not satisfy demand from the UK's multiple retailers. Linden stated that Northern Ireland cannot produce the amounts required and they are taking as much as can be sourced by North West Organics for export to Wales. They currently expect their organic processing plant in the Republic of Ireland to make up any shortfall.

There are a number of issues within the organic beef sector that have contributed to a lack of development of the supply network. The lack of collaborative agreements and contracts between, producers (particularly rearers and finishers), producer groups and processors has resulted in an un-coordinated organic beef supply network.

While there are producer groups working with abattoirs there is capacity for greater co-operation throughout the supply network within Northern Ireland and throughout the UK as a whole. This would help to build and maintain mutually beneficial working relationships that will go some way to ensure continuity of supply.

Both Tesco and Sainsbury's are sourcing organic beef from Northern Ireland, which is then exported for further processing before sale. However, Sainsbury's stores in Northern Ireland will shortly begin sourcing organic beef directly from ABP in Newry. The majority of finished organic beef cattle produced in Northern Ireland, around 1000 head per year, is processed by ABP and sold to Sainbury's. It is likely that a proportion of this beef is sold in Northern Ireland but due to a lack of provenance (it is not sold as organic beef from Northern Ireland) it is impossible to calculate how much.

North West Organics have recently started to supply Linden with organic beef, which is being sold on to Tesco. The throughput of organic beef is expected to increase in the future and there are opportunities for more sales through this outlet.

ABP state that they do not receive a greater financial return with organic compared to non-organic but the strong relationships that have developed with producers and retailers (Sainsbury's) makes it important to develop this side of the business. ABP states that working with Sainsbury's has transformed their organic beef business, with Sainsbury's giving support to encourage more Northern Irish organic beef into their outlets. In a move that is seen as key to future expansion, ABP now offer volume and price contracts to organic producers.

3.1.5 Summary

- In terms of producer numbers, organic beef production is one of the largest sectors in Northern Ireland;
- it was estimated that approximately 652 organic store cattle may have been traded between producers in 2005 with an estimated sales value of around £225,000;

- beef processing is dominated by two abattoirs with an estimated throughput of 1,171 head of organic beef cattle per year. The beef processed by these abattoirs is used to supply two multiple retailers and distributed throughout the UK;
- organic beef is sold on a very small scale through farmers markets', farms shops and box schemes and it was reported as a lucrative market strategy;
- two of the larger multiple retailers operating in the UK are now sourcing organic beef from Northern Ireland. Organic beef is slaughtered in Northern Ireland and then transported to other areas of the UK for further processing and sale. Starting in September 2006 some organic beef produced in Northern Ireland will be fully processed and sold through Sainbury's in Northern Ireland;
- greater co-operation, particularly between rearers and finishers, will increase the strength of the supply network, bring more producers into conversion and enable producers to meet the growing demand for organic beef.

3.2 Organic lamb

3.2.1 Producer survey results

A total of 17 farmers (25%) who responded to the questionnaire were involved in lamb production. Of these, 7 still had land in-conversion. The 17 Producers who responded to survey had a total of around 570 organic breeding stock, 912 organic stores and 1300 finished lambs between them in 2005.

Store lamb sales

None of the farmers who responded sold store lambs as organic. A total of 3 producers sold stores as non-organic due to the farm still being in conversion (612 lambs). Another 2 producers sold stores as non-organic due to lack of market demand (300 lambs).

Finished lamb sales

In total 8 producers sold 1059 finished lambs as organic and due to a perceived lack of demand in 2005, 4 farmers sold 250 lambs as non-organic (See section 3.2.2). The large majority of organic lambs were available between July and December with very few being sold during the spring months.

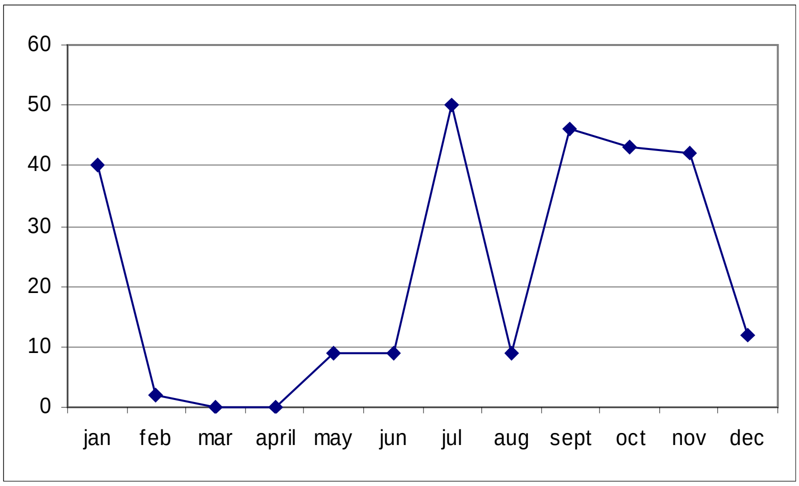


Figure 3.3 Seasonal production of finished organic lamb, 2005. Responses from 6 producers selling a total of 262 lambs (not all producers stated when they sold all their organic lambs).

Range of sales outlets

Respondents to the producer survey sold through a diverse range of outlets. This included sales to abattoir processors in Ireland (1 producer sold 480 lambs in 2005), direct sales through box schemes (1 producer sold 117 lambs), farmers markets' (1 producer sold 4 lambs) and farm shops (1 producer sold 8 lambs). The remaining 450 organic lambs were sold through unspecified outlets. The survey found that the price received for lamb ranged from £2.30 to £2.85 per kilo.

The data received in the survey was used to estimate the total number of organic lambs produced in Northern Ireland (for methodology see Appendix I). In total it is estimated that 1700 organic lambs may have been sold as organic in 2005. The way this figure is calculated means there is a margin of error. However it does provide a benchmark off which future studies can be compared. In previous years it is thought that there has been a gross oversupply of organic lambs into the market (perhaps a cause for the diversification of market outlets seen in the producer survey). However due to increased demand from processors this is no longer the case.

When finished lamb producers were asked what they expected to happen to their own levels of production in the coming years, they generally expected production would remain at similar levels to present.

3.2.2 Processing

A certified abattoir started processing organic lamb in Northern Ireland at the beginning of 2006 (Dungannon Meats). This processor is contracted to supply Sainsbury's with organic lamb products. The vast majority of the organic lamb processed through Dungannon Meats in Co Tyrone is from Northern Ireland with a very small amount being imported from Wales. This processor has stated that as far as they know, there is currently not enough organic lamb available in Northern Ireland to meet their demands. The presence of a certified organic abattoir now processing organic lamb in Northern Ireland suggests there should be a reduction in the quantity sold as non-organic (250 organic lambs were sold as non-organic in 2005).

3.2.3 Organic lamb sales direct to the consumer

Three producers stated that they sold lamb direct to the public, but quantities and sales figures were not provided. Of these producers 2 sold lamb at farmers markets', while 1 supplied lamb to a box scheme.

3.2.4 Constraints and opportunities

The lamb supply network has been, until recently, underdeveloped which has led to some organic lamb being sold into the non-organic market (It should also be noted that high non-organic lamb prices may have led to producers selling organic lamb into the non-organic market). However with an abattoir now processing organic lamb there is a new opportunity for producers. This gives the potential for all organic lamb in Northern Ireland to find an organic market. However work still needs to be done, especially in the coming year, to develop awareness of the market, increase communication and collaboration amongst producers, and to bring producers and processors together. The processor needs to be proactive in raising awareness of its operations and in developing further links with organic lamb producers. This may lead to increases in production capacity to meet the specific demands of the processor. It is vital that there is a good level of communication throughout the supply network so producers are aware of the opportunities and developments within the market place and have a good knowledge of processor and customer requirements. Research found that, although small, the organic lamb market is diverse with producers selling through a range of outlets. This diversity is a huge strength for the sector and offers more potential for the future. Interviews with those producers owning farm shops or attending farmers markets' indicate that consumers wanted to be able to buy more organic lamb in this way, and the survey suggests that there is not enough organic lamb reaching the direct sales market.

It is clear that Northern Ireland's organic lamb supply network is improving. It would be beneficial to raise awareness of the new and existing opportunities within the sector. Encouraging communication and co-operation within the supply network would:

- build connections between store producers and finishers ;
- help to prevent organic lambs from being sold into the non-organic market;

- enable producers to be more market led and increase production in line with consumer demand (preventing cases of oversupply);
- provide processors and retailers with better consistency of supply and quality of product.

Marketing efforts currently underway (by North West Organics) have led to increased opportunities for organic lamb producers and this group demonstrate what can be achieved through co-operation and communication. However, this sort of marketing initiative needs to be rolled out across the country to make use of current supplies before production is increased. As produce is sold throughout the UK, communication with lamb marketing initiatives in other areas of the UK would also aid the development of Northern Ireland's organic lamb supply network.

3.2.5 Summary

- No store lambs were sold as organic with a high number entering the non-organic market either due to a lack of opportunity, the demand for non-organic finishers being particularly strong, or the farmer still being in-conversion;
- calculations based on the producer survey data show in 2005 an estimated 1700 head of finished organic lambs were sold through a diverse range of market outlets;
- during 2005 at least 250 finished organic lambs were sold as non-organic due insufficient communication and consequently a perceived lack of market;
- survey results show that the majority of finished organic lamb in Northern Ireland is being sold off farm between July and December. This suggests there is a need to either build marketing strategies around Northern Ireland organic lamb being a seasonal product, or strategies need to be employed to flatten out the seasonal profile sale of lambs off farm;
- a single processor in Northern Ireland started processing organic lamb from Northern Ireland, Wales and New Zealand in 2006. More lamb would be sourced from within Northern Ireland if it was readily available;
- only small quantities of organic lamb are being sold direct to consumers through farm shops, farmers' markets and a box scheme but demand suggests this volume could be higher;

- greater communication and co-operation throughout the supply network is necessary to ensure that producers get access to market demand and to provide smoother supply to processors and retailers. Potentially, the production of organic lamb could be increased (including seasonal production), but this needs to be considered carefully and more focussed market intelligence needs to be done in this area.

3.3 Organic dairy

3.3.1 Producer survey

A total of 6 farmers who responded (9%) to the survey were involved in organic milk production. In 2005 these respondents produced approximately 2.5 million litres of milk (only 4 of these provided monthly production figures). Of the total quantity of organic milk produced by respondents in 2005, 68% or 1.7 million litres were sold with an organic premium. Of the 6 milk producers 2 sold 623,828 litres (24.2%) as non-organic due to the farm still being in-conversion. A further 7.7% or 197,862 litres sold as non-organic for unspecified reasons.

The average price received per litre of organic milk (with an organic premium) was 25p with a range of 23.5p to 27p per litre. The research showed that the quantity of organic milk finding an organic market increased throughout 2005. After several years of oversupply with producers failing to sell all of their milk with an organic premium, 2 of the respondents reported that they were finally able to sell all of their milk as organic for the last 4 months of 2005.

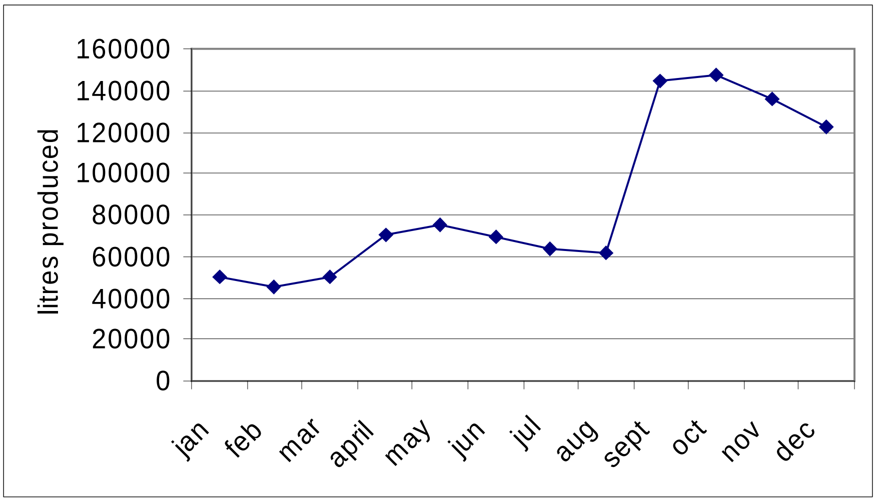


Figure 3.4 Change in volume of organic milk sold with an organic premium, 2005. Only 4 farmers gave monthly data producing just over 1 million litres of organic milk between them.

3.3.2 Producer groups

The organic dairy sector within Northern Ireland is in a relatively advanced stage of development, with two producer groups established to source and sell milk into the organic market.

One producer group, Emerald Organics, sells milk to two dairy processors - Strathroy and Glenisk who sell on to independent retailers North and South of the Border (all of their milk is sold for an organic premium). At present this group handles 3.4 million litres of milk per annum, which is all sourced within Northern Ireland from 7 producers

The other main producer group, United Irish Organics (UIO), had 6 producers in 2005 who produced 3.527 million litres of organic milk. UIO also imported 1.074 million litres of milk from the mainland in 2005. Of this total 2.9 million is sold as liquid organic milk and 1.7 million litres was sold for further processing. In 2006 United Irish Organics are on target to process 5.2 million litres of organic milk. The group has developed contracts with Dale Farm and Ballyrashane who in turn supply Sainsbury's, Asda, Tesco and Marks and Spencer with organic milk. It is currently unclear if the majority of this organic milk is sold in Northern Ireland or distributed throughout the UK. (Sainbury's who will purchase the vast majority of milk from Dale Farm (5 million litres) in 2006 states that it sources all its organic milk for Northern Ireland from Northern Ireland and Scotland).

3.3.3 Processing

There are 8 registered organic dairy processors in Northern Ireland. Of these 2 did not supply information and a further 2 were not processing organic milk (one processor was hoping to start in the near future and another had tried organic processing but had stopped as there had been no market for the cheese and powder that was produced). Of the remainder all were involved in bottling milk sourced in Northern Ireland with one processing liquid milk into cream and buttermilk. Additional processing of organic milk from Northern Ireland takes place in the Republic of Ireland where organic yoghurt and milk drinks are produced. Generally, the processors expected production to continue to increase and they were optimistic that the organic dairy market would continue to grow.

3.3.4 Organic dairy sales direct to the consumer

Only one farmer was found in Northern Ireland that processed milk on farm. This was the only dairy processor found in the survey to be selling through independent retailers and his own box scheme. However, he was reluctant to provide any sales figures or any projections for the future, other than to say that he was happy with progress.

3.3.5 Constraints and opportunities

Those involved in dairy processing stated that the current low level of production is a problem, as it was difficult, time consuming, and not cost effective dealing with small volumes of organic milk. Increased production would make processing more cost effective, thus helping the sector to develop.

A major inhibiting factor, is the competition between the 2 main dairy groups, which has proven divisive and deleterious to the sector's development. There are varying ideals on the organic philosophy in that some producers are happy to produce for export and the multiples while others are not. This differing core ethos' has acted as a barrier to the development of productive partnerships between groups, resulting in some producers failing to secure an organic premium for their milk. If a more co-operative and inclusive relationship existed, all producers should be able to sell their milk as organic.

There is a general feeling (across all products not just dairy) that consumer education and the effective marketing of organic produce for health reasons, is lagging behind mainland UK. However, one dairy processor stated that recent publicity about the higher levels of Omega 3 found in organic milk had resulted in an increase in sales.

The UK demand for organic milk, which is reliant on NI supply, is continuing to increase and consequently, for the immediate future, both producer groups should be able to sell all of their milk as organic. It is likely that demand will provide opportunities for Northern Ireland's organic dairy sector to establish itself as a core part of the UK supply network as well as further developing a domestic market. All these factors suggest a need to encourage the conversion of more land for organic dairy production in Northern Ireland.

In order to allay concerns and doubts over the future of the organic milk market there is a need for a more strategic and co-ordinated approach to increasing production if demand is to be met without going into damaging state of oversupply.

An approach should be made to the Federation of Organic Milk Groups for Northern Ireland's representation on this forum.

3.3.6 Summary

- Two producer groups are active within Northern Ireland. Between them the groups produced 6.9 million litres of organic milk in 2005;
- the producer survey found that 68% of the organic milk produced in 2005 was being sold for an organic premium. Sales into the organic market increased throughout the year;
- the larger producer group sells milk to a processor, which supplies the multiple retailers. The other sells to processors that supply independent retailers throughout Northern Ireland and the Republic of Ireland;
- there are 8 licensed organic dairy processors in Northern Ireland with only 6 of these currently handling any organic milk;
- the project team found only one producer who was processing and selling organic dairy products direct to consumers;
- negative relationships between some stakeholders have held the sector back;
- in general the outlook for the sector is positive with all stakeholders stating that there will be increased market growth. Growing demand will result in under supply and there is a need for strategic and planned expansion
- an approach should be made to the Federation of Organic Milk Groups for Northern Ireland's representation on this forum.

3.4 Organic Pork

The producer survey elicited no responses form organic pork producers in Northern Ireland but, the processor survey did locate 2 small-scale producers selling direct to the public.

3.4.1 Processing

There is currently only one certified organic pork processor in Northern Ireland. Grampian Country Pork Hall's produce 3 different types of sausage for the catering sector and one unspecified multiple retailer. The processor sources all the pork and spices from Scotland. Production from this processor totals 26,000kg of organic pork sausages per year although it is thought that only a small proportion of this is actually sold inside Northern Ireland.

The processor stated that with their current contract with the multiple retailer specifying where the pork came from, it would be difficult to switch to a domestic supply even if it existed. Sourcing organic pork locally would benefit this processor and Northern Ireland's organic producers. The processor maintains that there is scope for increasing sales and they are optimistic that they will be able to increase production and their range of products over time.

3.4.2 Organic pork sales direct to the consumer

The processor survey found that there are 2 small-scale organic pork producers in Northern Ireland and they are focused towards the direct sales market. They indicated that there is a strong demand for organic pork as customers at farmers' markets specifically request it. Due to the low levels they produce, it is difficult to satisfy this demand and there are very few organic pork producers in Northern Ireland to help make up the shortfall. Additionally, it is possible that processing/cutting of the pork takes place at uncertified local butchers, suggesting that there is a shortfall in certified organic processing capacity and not sufficient take up of the single user abattoir scheme (which reduces costs and record keeping for small plants). Any suitable processor would have to be geared towards taking and processing small volumes of organic pork to cater for the small-scale producers involved in direct sales.

3.4.3 Constraints and opportunities

In Northern Ireland organic pork has an extremely low supply base compared to other sectors. All of those who farmed organic pigs stated that they produced on a small-scale as part of a mixed farm enterprise, selling their products direct to customers at farmers' markets. It is apparent that there is a demand from retailers for organic pork but at present, the supply base in Northern Ireland is too small and no suitable infrastructure exists to allow retailers to source organic pork from indigenous sources.

There is an identified need for more organic pork in Northern Ireland. If the infrastructure - including certified abattoirs capable of handling supplies from small-scale producers - and support systems were in place, these opportunities could be met leading to an increase in sales for local producers and processors.

3.4.4. Summary

- Organic pork production and processing is very small-scale in Northern Ireland;
- one processor is supplied with organic pork meat from Scotland to produce organic sausages for a multiple retailer and the catering industry. However it is thought that the majority of this pork is sold outside Northern Ireland;
- indigenously produced organic pork is sold in small quantities through farmers' markets;
- producers who are involved in selling direct to the public have stated that there is a demand for organic pork. At present, an undeveloped infrastructure and a low supply base mean that it is very difficult to source organic pork within Northern Ireland;
- a development initiative for organic pork production in Northern Ireland is needed if production is to meet processor demands and to take advantage of consumer demand.

3.5 Organic table birds

(Table birds defined as poultry reared for meat – where the term poultry also applies to ducks, geese and turkeys as well as chickens[15])

3.5.1 Producer survey

A total of 16 respondents who replied to the survey (25% of respondents) were involved in table bird production. Of these, 1 was ceasing production and 1 had not yet begun production. A total of 15 respondents produced 1.4 million table birds 92.5% of which were sold as organic. The majority of remaining birds, around 7.3% of the total produced, were sold by 2 producers as non-organic due to the farm still being in conversion.

Figure 3.5 illustrates sales of organic tables birds throughout 2005. The peaks on the graph show when two relatively large producers are selling their organic birds. If data had been collected from a greater number of producers there may be a smoother line depicting steadier production throughout the year.

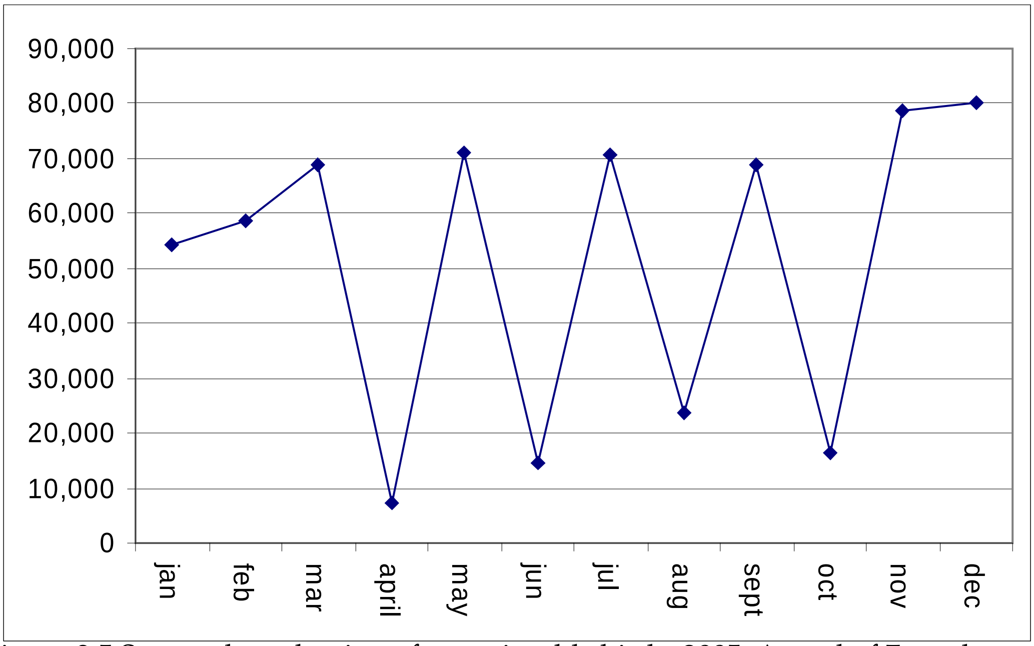


Figure 3.5 Seasonal production of organic table birds, 2005. A total of 7 producers gave data - producing just over 600,000 organic table birds.

The survey found that the majority of production volume is undertaken by larger scale poultry producers who do both non-organic free range, and organic lines. These producers are selling organic and non-organic birds through two different outlets.

3.5.2. Processing

The two large poultry processors in Northern Ireland (Moy Park and O'Kane Poultry) processed over 2.8 million birds in 2005. Moy Park is the largest processor with 47 producers supplying them with 54,000 chickens per week. Both source all their organic birds within Northern Ireland.

Moy Park has been processing organic table birds since 1999 and state that there has been year on year growth of 10%. In 2006 around 65,000 birds will be processed per week. They are the largest organic table bird processor in the UK. Moy Park state that the majority of their birds go for sale through multiple retailers across the UK but they also supply Dunn Stores in the Republic of Ireland.

While O'Kane Poultry operate on a much smaller scale to Moy Park there is a desire to increase sales. Currently O'Kane processes approximately 15,000 organic turkeys for the Christmas period. The company is contracted to supply Marks and Spencer whose customers pre-order a large proportion of the organic turkeys with the rest being sold off the shelf.

3.5.3 Organic table bird sales direct to the consumer

Despite the large capacity of Northern Ireland's organic poultry sector, large processors dominate the market making it difficult to source organic table birds for smaller-scale direct sales. Those producers involved in farmers markets and farm shops would benefit if abattoirs were able to process small numbers of organic birds for direct sales.

3.5.4 Constraints and opportunities

A major issue within this sector is the supply of organic feed. Stakeholders stated that shortages of organic feed within Northern Ireland are likely. Changes in feed regulations stipulate that 90% of organic bird feed has to be organic after 31st December 2007[1]. This subject was raised by Tom McKeown (Moy Park) who sits on the Organic Action Plan Group for Northern Ireland, who stated that,

" Our experience is that the supply of organic and suitable other ingredients is not growing to keep pace with the increased requirement for feed use."

There is one processor of organic animal feed who supplies the entire organic poultry industry within Northern Ireland. During interviews with the supplier it was evident that there were concerns that they would struggle to supply enough feed for all producers (further information on feed issues is available in section 3.8 Grains and pulses).

Aside from the feed issue, the organic table bird sector is optimistic with the market set to continue rising. The poultry processing industry is well developed in Northern Ireland and does not require the same support as other sectors.

There is a shortage of supply of organic table birds for direct sales and local retailing. This needs to be examined and support given to those who may wish to become involved in servicing this area of the market. In particular, it is apparent that due to the dominance of the sector by two large processors, there is limited processing capacity to cater for small numbers destined for the direct sales market.

3.5.5 Summary

- There are two large organic table bird processors selling over 2.8 million organic table birds per annum. Both processors source all their birds from within Northern Ireland;
- the processors sell organic birds mainly to outlets throughout the UK;
- organic feed is becoming harder to source and there are concerns that regulations coming into force at the end of 2007 will create a major problem unless more production can be stimulated;
- there is a demand for local organic table birds; sourcing organic birds within Northern Ireland is difficult despite the high processing capacity. This is due to the majority of producers being under contract with the large processors who have an export focus;
- the sector is well developed but greater support of local supply networks would increase the volume of sales within Northern Ireland, with all the socioeconomic and environmental benefits this brings.

3.6 Organic eggs

3.6.1 Producer Survey

Of the farmers who responded to the survey, 5 stated (9% of respondents) that they produce 618,703 dozen organic eggs with 87% being sold as organic. Another 3% were sold as non-organic as the farm in question was in conversion and a further 10% were sold as non-organic due to issues such as small size and cracking. (A single respondent stated that they were currently not producing but were planning to start in the near future)The survey accounted for 31,430 laying hens. The price received by all producers was £1.10 per dozen eggs.

3.6.2 Processing

There are two organic egg processors/packers in Northern Ireland, Farmlay and Skea, supplying a variety of retailers throughout Northern Ireland, The Republic of Ireland and mainland UK.

In 2005 5 organic producers supplied Farmlay with 7.42 million eggs. Production is predicted to rise to 8.4 million eggs in 2006 with 3 more producers becoming certified. In 2005 90% of the eggs went for whole egg sales, while 10% went for further processing.

Skea was supplied directly by two producers in Northern Ireland who produced 1.169 million eggs in 2005. Skea also imported 2.195 million organic eggs from England in 2005 and bought in 4.826 million organic eggs from Farmlay. Skea had a total throughput in 2005 of 8.19 million organic eggs. All of Skea's organic eggs were retailed in Northern Ireland (through supermarkets and independents) with 7% of total throughput being sold on for further processing. An increase in throughput of approximately 12% is projected for 2006.

3.6.3 Organic egg sales direct to the consumer

The situation for direct sales of organic eggs is similar to that of table birds. The organic egg market is dominated by large-scale production to service the multiple and independent retail sector. Beyond this there are a small number of producers involved in small-scale organic egg production for the direct sales market. Producers involved in farmers' markets stated that there was high demand for organic eggs. At times, demand exceeded supply and they were unable to source additional organic eggs from local producers.

3.6.4 Constraints and opportunities

As with organic table birds, the issue of feed will be a major obstacle, which will have to be overcome in the near future. Additionally, in Northern Ireland, organic feed costs on average £30 per tonne more than the rest of the UK. Very little organic feed is produced in Northern Ireland and it is anticipated that raw product and transport costs will continue to rise increasing the overall price for the end user.

The record keeping (associated with record keeping and inspections) and standards involved in organic farming were also mentioned as a constraint by respondents. The regulations mean that when compared with non-organic farmers there is an increased workload for the organic farmer with greater capital expenditure. As a result it can be difficult to encourage small producers to convert to organic production. DARD provides a level of information and advice but this was deemed insufficient by some producers (see chapter 6). Therefore, improving the level of support and advice available to potential organic farmers would help ease this situation and make converting to organic production much less of a daunting prospect.

There are differing opinions on the state of the organic egg market within Northern Ireland. One processor stated that sales have increased rapidly over the past two years while the other stated that sales reached a plateau. While sales of organic eggs in the more affluent urban areas of Northern Ireland remain buoyant, the processors stated that a more targeted marketing strategy aimed at all consumers in Northern Ireland would benefit their businesses. Both processors intend to continue building their organic business and develop processing capacity to include the production of other organic egg products, e.g. egg powder. The survey results suggest that producers in Northern Ireland could increase production to meet growing demand from the processors and substitute imports from England.

3.6.5 Summary

- There are two main egg packers within Northern Ireland who sourced 8.589 million organic eggs from 7 producers in 2005;

- the majority of eggs are sourced within Northern Ireland. In 2005, one of the processors imported 2.195 million eggs from England;
- eggs processed are sold throughout Northern Ireland, Republic of Ireland and the UK;
- there are a small number of organic producers selling direct to consumers. There is an increasing demand for organic eggs through farmers' markets and farm shops but a local supply is difficult to source;
- the cost and availability of feed is a major issue within the sector;
- organic standards and the associated bureaucracy are seen as a problem that could be preventing producers from converting to organic. The provision of information and technical advice could ease this.

3.7 Organic horticulture

3.7.1 Producer survey

A total of 8 respondents or 12% of those who replied to the survey were involved in horticulture. Over 690 tonnes of a large range of vegetables were grown by respondents including potatoes, alliums, carrots, turnips, beetroot, various brassicas, fruit and small quantities of salads and herbs. Of the total produced approximately 92% was sold as organic, 8% sold as non-organic with very low proportions being retained or graded out.

Table 3.2 Organic vegetables production and number of growers by crop type, 2005.

Vegetables type	No. farmers	Volume produced (tonnes)
Potato	5	396
Alliums	3	40.2
Carrots	3	13.35
Root vegetables – turnips/ beetroot	4	>3.5 and >2500 single turnips
Brassica	5	>20
Salads	3	>5000 head
Herbs	1	-
Fruit	3	212.03

(*The total quantities produced are impossible to calculate due in part to volumes being given in different units. Where only one producer has given information the total production figures have been left blank*)

Of these, 5 producers stated they grew a total of 396 tonnes of potatoes with 372 tonnes being sold as organic. A further 4 tonnes were retained for use on farm and 10 tonnes were grown for seed. Only 4 of the 5 producers sold potatoes in 2005 with 3 of the producers selling potatoes through box schemes and 1 selling to a processor (Wilson's Country Ltd).

A total of 40.2 tonnes of alliums were grown by 3 of the respondents. All of the produce was sold as organic. Alliums were sold by 1 producer to a multiple retailer (Tesco) and both other respondents retailed through box schemes.

A total 13.35 tonnes of carrots were grown by 3 of the producers with 12.35 tonnes being sold as organic. Just 1 tonne was graded out and not sold. All 3 producers were selling direct to consumers with 2 selling specifically through a box scheme.

Root vegetables including both turnips and beetroot were grown by 4 producers. Quantities were specified in both tonnes and single units. Over 2500 single units and approximately 3.5 tonnes of other root vegetables were produced with all being sold direct to the consumer.

Brassicas were sold by 5 producers with well over 20 tonnes being grown and sold as organic. Various incomparable units were used to quantify the volumes grown which prevented a more exact figure from being calculated. Brassicas were sold either to a multiple retailer (Tesco) or through box schemes.

Fruit was grown by 3 farmers with 212.03 tonnes grown in 2005 of which 8.03 tonnes was sold as organic, 4 tonnes was sold as non-organic and 200 tonnes were either retained on farm or sold through an unspecified outlet. One producer sold fruit through a box scheme, one retained all their produce and the remaining fruit grower did not state a market outlet. Of the fruit that was produced 112 tonnes was top fruit, 8 tonnes of which was sold as organic, 4 as non-organic and 100 tonnes was either retained on farm or sold through an unspecified outlet. A total of 100.03 tonnes of soft fruit was produced. Only 0.03 tonnes was definitely sold as organic the remainder was either retained on farm or sold through an unspecified outlet.

Protected crops, salads, green vegetables and a small quantity of herbs were also produced and sold through box schemes. No production figures were provided.

Producers were asked what they expected to happen to their levels of production in the coming years. On average, producers stated that they expected production to increase marginally, but to meet demand, 3 producers supplying either a box schemes or a multiple retailer expected significant increases in production.

3.7.2 Processing

The survey found a total of 6 fruit and vegetable processors in Northern Ireland.

There are 3 fruit processors, 2 of which handle small quantities of organic Bramley apples, which in both cases are imported from Kent. In one factory the organic apples are processed for mincemeat and the mix is then sent on to another manufacturer elsewhere in the UK. Only 1 tonne of apples is processed in this way each year and this element of the business is worth no more than £1000 per annum.

The second processor works under licence for an English based company, processing a small volume of organic apples, which are brought from England, canned and returned. In total the volume of organic apples processed represent less than 2% of total apple processing on the site.

The third processor packs organic apples and produces organic apple juice for sale to most supermarkets North and South of the border. Organic apples are sourced mainly from around Armagh, but also from the Republic of Ireland and mainland UK.

A total of six vegetable processors were interviewed as part of this research. However, three of these processors were registered but had stopped trading in organic produce some time ago.

One of the processors sells organic potatoes through Supervalue, with approximately 500 tonnes of organic potatoes being sold. The majority of the potatoes were sourced from Northern Ireland but due to a lack of supply, 50 tonnes were sourced from the mainland and a further 150 tonnes were imported from Italy, Israel and Austria.

This processor stated that business was restrained by the short growing season in Northern Ireland as well as the restrictions on storing organic potatoes. Additionally the varieties are not blight resistant resulting in a limited supply of indigenous organic potatoes.

The company has been processing organic potatoes for approximately 5 years and sales figures have remained fairly static throughout that period. As a result this company does not see any room for expansion.

The second vegetable processor has been involved in organic production for 4 years and in that period, sales have increased by 50%. They grow and pack vegetables for a producer owned box scheme, an independent retailer and for Tesco Northern Ireland and all the produce is grown on the processor's own farm.

The final operational vegetable processor grows all their own mushrooms, before packing them for sale through multiple retailers both North and South of the border. Additionally, they also supply some local shops and a small number of box schemes. This processor stated that the business is growing despite markets being tough to break into.

3.7.3 Constraints and opportunities

Beyond the processing of apples there are no other organic fruit processors in Northern Ireland. The information provided by the fruit processors varied from optimistic to very pessimistic. One processor would "prefer not to have the business as the bureaucracy attached to organic processing is 'too severe'". Another stated that the climate in Northern Ireland resulted in a short fruit growing season, limiting the availability of organic apples. The processor, who sourced and sold organic apples within Northern Ireland, was optimistic about future growth; demand had increased, they had begun to diversify the business and were looking into increasing their processing capacity. As a result the company was being proactive in sourcing new suppliers and developing better working relationships with organic growers within Northern Ireland.

Issues raised included the importance of maintaining detailed records for DARD and for various inspections that are necessary for organic certification. There was recognition that it was important for organic farmers to have stringent controls but disquiet as well that there was so little local support for the organic sector.

The feedback from processors demonstrates that there are varying degrees of success depending on the target market. One found that farmers' markets were disastrous, another that trade with one retailer has reached a plateau, while another indicated that business is booming with another retailer. Eastern European imports are perceived as a threat generating an amount of uncertainty about the future of the organic market. This uncertainty is preventing one of the processors from expanding their business.

The research indicates that organic fruit and vegetable processing in Northern Ireland is relatively underdeveloped. With the exception of apples that are imported on a relatively small scale, there is no processing capacity beyond washing and packing.

While vegetable processing for sale through the multiple retailers is underdeveloped, the picture for direct sales is very different. Of those involved in direct sales 75% sell fruit and vegetables. In general those involved in horticulture have a preference for maintaining current market relationships, where they are able to cope with demand and retain a certain element of control over what is produced. In particular, growers are reluctant to produce for the multiple retailers for two main reasons:

- that growing seasons and organic food production does not lend itself well to the demands of multiple retailing;
- loss of independence.

It is clear that as in the non-organic sector, organic horticulture is a relatively unpopular enterprise, with the majority of Northern Ireland's producers favouring livestock and dairy production. The growers that were identified and interviewed tended to be small-scale selling through local markets. Currently, there is no capacity or motivation to supply larger market outlets than this.

The increasing age and low number of organic growers in Northern Ireland suggests that without a significant number of new and young growers becoming involved, the future for organic horticultural production in Northern Ireland does not look very positive. Consequently, while growers are aware that there is an unsatisfied demand for organic fruit and vegetables, increased workload, uncertainty and the bureaucracy associated with organic certification is dissuading growers from expanding their business. In response, current and potential organic horticultural producers need to be encouraged to grow in a co-ordinated way with a view to accessing new and existing market opportunities (including the multiple retailers). To instil confidence, demand could be stimulated by consumer awareness and education campaigns.

3.7.4 Summary

- A total of 8 farmers produced a range of fruit and vegetables with 690 tonnes of assorted crops being produced and approximately 92% being sold as organic;
- producers sold, on the whole, to box schemes with one selling to a multiple retailer – the majority stated that demand for organic fruit and vegetables was increasing;
- the survey identified 6 companies who currently processed organic fruit and vegetables and mushrooms: 3 processed fruit, 2 processed vegetables, 1 processed mushrooms;
- the 3 fruit processors handle organic apples with just one sourcing from and selling in Northern Ireland. The other 2 companies process apples from England and then return them either for further processing or for retail;
- the 3 vegetable processors both source and sell the majority of their vegetables in Northern Ireland;
- sales of domestically produced organic vegetables and fruit are mainly through box schemes but organic potatoes and mushrooms are sold through retail chains and 1 organic processor/producer has a trading relationship with 1 of the large multiples;
- production capacity for organic fruit and vegetables is currently very low;
- there is a lack of capacity and desire to supply the large multiple retailers;
- current and potential organic horticultural producers need to be encouraged to grow in a co-ordinated way with a view to accessing new and existing market opportunities.

3.8 Organic grains and pulses

3.8.1 Producer survey

In total 7 respondents, 10% of those who replied to the survey produced grains or pulses. All 7 respondents were also involved in rearing livestock. A large proportion (approximately 60%) of the grain produced was retained on farm with just 27% of grain sold as organic. The table below shows what was sold and retained by the respondents.

Table 3.3 The proportion of different organic grains retained and sold, 2005

Type of grain or pulse	No. respondents growing	Proportion retained on farm (%)	Amount retained for seed (%)	Amount sold organic (%)	Total volume produced (tonnes)
Feed wheat	1	100			35
Feed barley	3	86	3	11	90
Milling barley	1	100			3.8
Feed oats	5	42	4	53	108.6
Oats (human consumption)	1			100	25
Triticale	1	100			36
Mix peas/barley	1	100			6

Only 2 producers specified sales outlets with 1 selling feed oats to another farmer and another selling oats for human consumption direct to a mill – (Speedicook 25 tonnes). No other market outlets were identified.

3.8.2 Processing

The survey found two cereal processors in Northern Ireland. One processes all the animal feed for the poultry industry in Northern Ireland. The highest volume of feed produced is for broilers of which approximately 31,200 tonnes is produced per annum. Lower volumes for ruminants are also made by the processor. The ingredients for feed are almost exclusively sourced from elsewhere in the UK and Europe, with less than 2% sourced in Northern Ireland.

The survey found one organic porridge oat processor in Northern Ireland. Oats are produced under licence for other companies and for the processor itself. Last year the company sold 150 tonnes of finished product. The processor (Speedicook) has worked successfully with a producer group (North West Organics) and local producers to source a high a volume of oats from Northern Ireland. This means that 90% of all oats are sourced in Northern Ireland with a further 10% sourced in the Republic.

Organic grain sales are increasing and at present the Northern Irish organic grain producers, who supply produce, are working at capacity to meet demand. The retail price of organic ingredients was seen as an inhibiting factor but the price differential is narrowing and sales are increasing. It was felt that the market for 'local' organic produce needs continued development through improvements in the marketing of organic food. This should increase consumer interest and sales.

The final respondent to the processor survey is an importer of prepacked organic flaxseed. This is imported from Canada where there are better growing conditions and a higher quality oil content. The seeds have been on sale in Northern Ireland for a year and the product is proving to be very popular. Currently it is sold to independent retailers with the possibility of the introduction of the product into multiple retailers over the next year. The processor has long term plans to establish a processing plant within Northern Ireland specifically for organic flaxseed.

There is one organic bakery in Northern Ireland that produces a wide variety of organic breads and cakes. The produce is sold through local health food shops, independent traders and a small retail chain. The majority of ingredients are sourced through Shipton Mill in Gloucestershire, England, with less than 1% being sourced within Northern Ireland. It was stated that organic ingredients are not readily available in Northern Ireland so the bakery has no option but to source elsewhere. Sourcing locally would benefit the business and this may make the goods less expensive for the consumer.

The bakery felt that there were opportunities in organics but that more marketing was needed alongside developing a greater awareness of the ethos behind the organic standards amongst consumers.

3.8.3 Constraints and opportunities

A major problem for the livestock feed processor is that there are not enough organic ingredients available in Northern Ireland. This impacts upon the price of feed, as it is much more expensive to buy raw ingredients. The processor states that price, availability of raw materials and size of customer base are major inhibiting factors in the animal feed sector. The added bureaucracy involved in organic processing was also stated as an issue, which added to the complexity of the process.

Stakeholders within the feed sector stated that if it is to meet increasing demand more support is required. Many farmers are able to produce enough grains and pulses to feed their own livestock but there is a growing demand for more. Without extra capacity for producing and processing feed for livestock and poultry there will be problems in the future.

3.8.4 Summary

- There were 7 farmers who responded to the survey who produced grains and pulses. Of the total produced 60% was retained for on farm use;
- only 2 producers stated sales outlets for their produce. One sold grain for feed while the other sold oats to a major grain processor;
- a total of 2 processors handled grain from Northern Ireland, 1 produced feed and the other porridge oats;
- little of the raw feed ingredients for animal feed were produced in Northern Ireland, thus increasing the cost of production;
- the majority of porridge oats were sourced in Northern Ireland with 10% coming from elsewhere;
- the major issue for the sector was a lack of capacity increasing the costs of production;
- in the case of feed this can have very serious repercussions for the rest of the industry within Northern Ireland.

3.9 Organic aquaculture

3.9.1Producer and processor survey

The single organic fish farmer identified in the producer survey did not respond to the questionnaire. There are 2 organic fish processors in Northern Ireland but only one responded to the survey. Numerous attempts were made to gain further information but unfortunately within the time allowed a more comprehensive picture could not be developed.

The processor was involved in the wholesale business and stated that the market for organic fish in Northern Ireland was increasing. The processor sold over 200 tonnes of organic salmon last year with most going to the UK market and one customer in Belgium.

3.9.2 Constraints and opportunities

This processor reports that there is generally a shortage of organic fish with increasing market demands. The market is growing and continues to develop.

3.9.3 Summary

- The organic fish survey suffered from a lack of information given by the key stakeholders;
- the processor who did contribute to the survey stated that there is a growing demand for organic fish from within Northern Ireland;
- with high levels of export current production levels are not great enough to meet demand.

3.10 Organic tea processing

The survey found an organic tea processor in Northern Ireland. Organic tea is processed under licence by Nambarrie for Twinings. Nambarrie have little input into the product itself, they merely take tea from Twinings, pack it and send it back to Twinings again. They have no input into product design, or where it is sourced. Nambarrie have no budget to market organic tea and stated that their own research had concluded that sales of organic tea had reached a peak, as in the past two years there had been little increase in organic sales.

4. Organic retailers

4.1 UK organic market

In 2005 the UK organic market increased by approximately 30% to an estimated £1.583 billion. Sales through multiple retailers accounted for 76% of this figure. Producer owned retailers (direct sales) had a 8% share of the market and non-producer retailer sales took up the remainder with 16%[1].

4.2 Retail survey

Interviews were held with representatives from the multiple retailers, independent retailers, and producers selling organic produce direct to the public (the full list of those who participated can be found in Appendix 1). The producer survey included questions on the volumes and total sales value of direct organic sales. However, in many instances, information regarding the volume of organic goods sold and imported and total sales values were not provided. Interviewees preferred to give more qualitative information regarding the state of their business and the overall market for organic products (the small numbers of companies involved in the organic market in Northern Ireland means that due to issues surrounding confidentiality some figures would be impossible to release even if they were available). There is little in the way of background information regarding organic spending because organisations such as TNS do not gather data specifically relating to organic sales within Northern Ireland. This lack of data makes it difficult to calculate total organic sales values, import levels and market penetration figures for indigenous organic produce. Having said this, it is estimated that in 2005, sales of organic produce in Northern Ireland were worth £18 – 19 million; 1.2% of the total UK organic market value of £1.583 billion. Sales through the multiple retailers and non-producer owned retail outlets were worth £17 – 18 million, and direct sales approximately £830,000 (for methodology see appendix 1).

4.2.1 Multiple retailers

Sales through supermarkets have been identified as the main outlet for organic produce within Northern Ireland. It is estimated that sales of organic products through the multiple retailers were worth £17 – 18 million in 2005. Interviews indicate that only a small proportion of organic produce sold through these outlets is indigenous.

As a group the multiple retailers identified the following constraints in sourcing Northern Irish organic food:

- Low volumes of organic food are produced in Northern Ireland;
- there is a limited range of organic produce available in Northern Ireland;
- all those interviewed stated that most of the organic produce sold came from outside Northern Ireland;
- several of those interviewed stated that there was an unwillingness within some areas of the organic industry to develop relationships with multiple-retailers;
- there are a limited number and range of certified organic processors in Northern Ireland. For example, a representative from one multiple commented on the demand for organic baby food. Stating that they were currently unable to source from a processor within Northern Ireland.

These points give an overall negative view of the organic market in Northern Ireland. There are many positives which have been identified in the research which should also be noted.

- In some sectors (such as organic beef and table birds) there is a high production capacity. A proportion of what is produced is used to supply the large multiple retailers. Some of this produce may be sold in Northern Ireland, and Sainsburys label it as such, but its provenance may be lost as it is distributed to outlets throughout the UK. Other multiples are proactively looking to source organic meat from within Northern Ireland. Recent developments within the lamb supply network will make lamb from Northern Ireland easier to source;
- a large proportion of organic milk sold in Northern Ireland is produced in Northern Ireland;
- several of the multiples do source some vegetables from Northern Ireland – however the quantities are small. All of the multiple-retailers import the majority of organic goods sold but continuing improvements within the supply network will allow more organic produce to be sourced within Northern Ireland. All retailers stated that they would prefer to stock indigenous organic products but that in the present situation this was impossible. There has been a shift in policy

with many of the multiple-retailers choosing to proactively source indigenous organic produce.

Some common themes emerged from the multiple-retailer interview survey:

- Sales of organic produce are increasing year on year in Northern Ireland;
- wider UK markets are, quite rightly, looking to NI for supply
- demand is not currently being met by producers in Northern Ireland;
- organic foods are seen as a firmly established product;
- there is a strong support for selling indigenous organic food.

Different supermarkets show different levels of commitment to supplying indigenous organic food. Some retailers view organic food as something they should stock because consumers demand it, whereas others see it as a means to support Northern Ireland's organic farmers. Overall the sector is optimistic that organic sales will continue to increase and there is a strong desire to develop partnerships with Northern Ireland's organic businesses.

4.2.2 Independent retailers

There are a variety of independent retailers in Northern Ireland, from village and corner shops to larger family owned establishments. All of these businesses are being forced to work hard to maintain a local presence in the face of competition from the multiple retailers. It is estimated that sales of organic products through independent retailers were worth £500,000 - £1 million in 2005.

In Northern Ireland, the Northern Ireland Independent Retail Trade Association (NIIRTA) represents independent retailers. As it would be impossible to contact all independent retailers in Northern Ireland, interviews were conducted with the Chief Executive and the President of NIIRTA for an overview of the organic market within the independent retail sector.

Organic sales figures were not provided by the independent retail sector. Interviews did indicate that there is little organic produce from Northern Ireland available in local shops. Although the consumer survey (in the following section) indicates that 10% of those who purchase organic produce claimed to buy most in their local shops.

This disparity between what is actually available and what consumers believe they are buying suggests that consumers may be confused as to what the term organic actually means.

The interviews with NIIRTA highlighted a number of issues:

- It is perceived that demand and subsequently the availability and sales of organic foods are very low in poorer areas;
- the availability of indigenous organic produce is low;
- local organic producers do not consider supplying local shops.

NIIRTA are committed to developing the organic market and hope to increase the opportunities for organic producers in Northern Ireland. Food Force Ireland, an independent buyers group and part of NIIRTA, has a strong interest in sourcing organic products for independent traders and is looking to develop a relationship with organic producers in Northern Ireland. NIIRTA state that there is a demand for locally produced potatoes, carrots and onions but at present, there is no local supply. There are, therefore, opportunities within the independent retail sector to start developing partnerships with producers.

4.2.3 Direct Sales

The direct sales market in the UK has grown significantly in recent years. Sales from producer owned organic retailers were worth £125 million in 2005 or 8% of the market. In Northern Ireland sales direct from producer to consumer are thought to account for a smaller proportion of the organic market with a limited number of producers using direct sales as their main source of income. It is estimated that in 2005 sales through producer owned outlets were worth £830,000.

The survey found that 16 producers were involved in selling organic produce direct to consumers through a variety of outlets, 8 producers sold through box schemes, of this figure, 3 also had farm shops and 1 farmer also attended a farmers' market. A total of 7 farmers sold through farm shops, 2 sold at the farm gate and 4 producers sold through farmers' markets.

4.2.3.1 Farmers' Markets

At present there are approximately 20 farmers' markets operating throughout Northern Ireland. The concept is relatively new with most markets less than 2 years old. In the past year a series of pilot markets have been started in smaller towns throughout Northern Ireland. The best known farmers market is St George's based in Belfast. Each market works on an individual basis with no one administrative body overseeing all of the markets.

Unfortunately, due to the lack of an administrative body no overall or organic sales figures are currently available for farmers' markets in Northern Ireland. Organic sales through farmers' markets in 2005 were estimated to be worth £79,380. Future work investigating the scale and demand for organic and local produce at farmers' markets would be beneficial.

Farmers' markets in Northern Ireland tend to be infrequent with the majority located in provincial towns operating for one Saturday per month. St George's Market in Belfast is the exception, operating every Friday and Saturday.

Interviews were held with 3 organic farmers selling their produce at St George's Market. No sales figures were provided but all stated that sales in the market were increasing. On average, 73% of the produce sold was produced on the respondent's own farm and 1 respondent sold only produce from his own farm. Fruit and vegetables were sold in the greatest quantities at St George's Market 10% of which were sourced from elsewhere in the UK and 20% being imported from other areas of Europe.

In addition to the fruit and vegetables, producers also sold chicken, lamb, beef and eggs. All of the respondents stated that there is an unsatisfied demand for organic pork, chicken and eggs but that these were very difficult to source in Northern Ireland due to the following reasons:

- Organic pork is produced in low quantities by a very small number of farmers all of whom sell direct to the public;

- organic chickens and eggs are produced in relatively large volumes butlarge processors and retailers take the majority with only small quantities entering the direct sales market.

Some producers have found farmers' markets to be a profitable sales outlet. A significant amount of time and effort is required in terms of preparation and attendance which can dissuade farmers from becoming involved. North West Organics (NWO) are currently working to establish a distribution hub to facilitate the sale of indigenous organic produce at farmers' markets in the Republic as well as throughout Northern Ireland. NWO intend to charge a small fee for the service, which will give farmers access to the price premiums available at farmers' markets.

4.2.3.2 Box schemes

The survey found a total of 8 producers selling direct to the public through box schemes. Only 3 provided sales figures with a combined total of £256, 780. In 2005 it is estimated that the total box scheme sales value was £680,000 (see appendix 1 for method). The box schemes have been experiencing an average annual sales increase of 30%, which is similar to growth rates seen in the rest of the UK. The respondents were optimistic about the future and predicted sales increases between 10 and 50%.

The 8 box schemes had an average distribution radius of just over 25 miles. On average each scheme sold 161 boxes a week at an average price of £8.70 per box. Box schemes operated for most of the year with 2 running from between 48 to 50 weeks and 1 operating for 30 weeks per year.

Figure 4.1 illustrates the source of produce sold in box schemes. Just over 60% was sourced from within Northern Ireland. This illustrates the difficulty of sourcing year round indigenous produce for organic vegetable retailers due to the low production capacity of the organic horticulture sector and the climate in Northern Ireland.

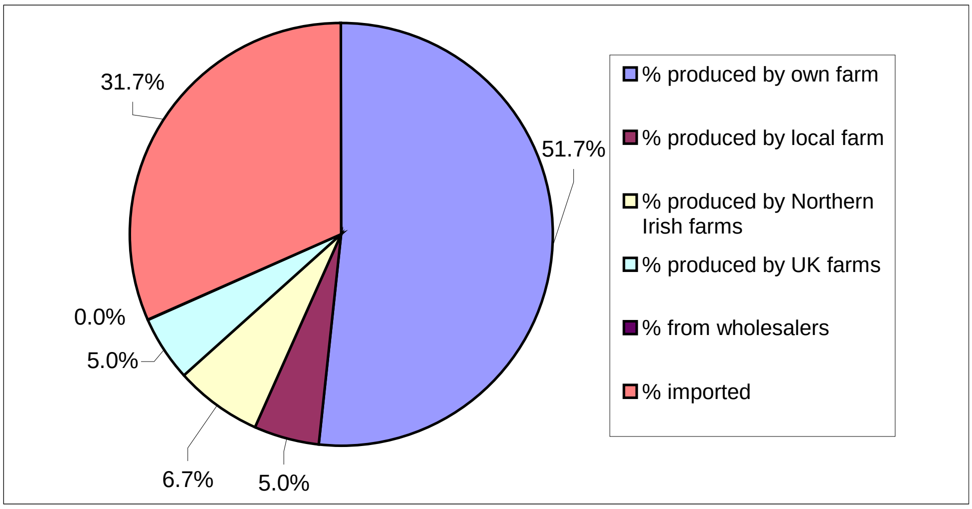


Figure 4.1. Source of organic produce sold by box schemes, 2005 (using data from 3 producers).

4.2.3.3 Farm shops and farm gate

In Northern Ireland, 7 farm shops were identified as selling organic produce. Interviewees were reluctant to reveal sales figures but generally, producers were optimistic that sales would continue to increase. However, in 2005 organic farm shop and farm gate sales were estimated to be worth £68,000.

The range of produce available in farm shops included organic fruit and vegetables, meats, poultry, dairy goods, various organic cereals pulses, dried and canned items. On average just under four fifths (78%) of all produce sold came from the respondent's own farm, with the remainder coming from local farms (10.7%), farms within Northern Ireland (1.5%), farms from elsewhere in the United Kingdom (1.5%), from wholesalers (6.8%) and imported directly from the continent (1.5%).

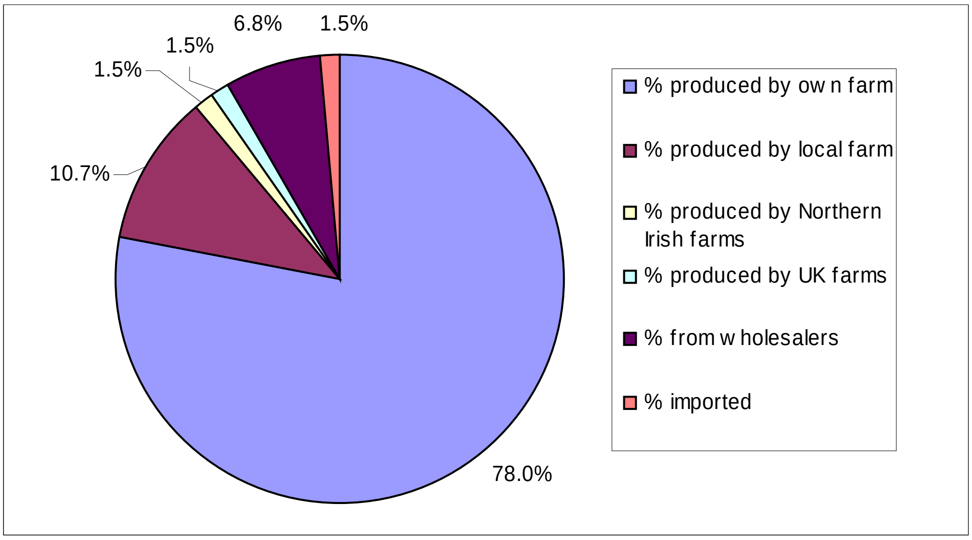


Figure 4.2 Source of organic produce sold through farm shops, 2005 (information given from 7 producers).

The survey found 2 additional producers who were involved in farm gate sales of organic goods. Farm gate sales are a much smaller proportion of the producers business, the majority of sales being made through farmers' markets, shops or wholesalers. Farm gate enterprises are viewed as a sideline to the main business, and subsequently less emphasis was placed on developing sales. Sales from farm gate were 100% home produced and included organic fruits, vegetables, eggs, table birds, beef and lamb.

The survey results suggest that direct sales through farmers' markets, box schemes, farm shops and farm gate sales are the most reliable way for a consumer to purchase indigenous organic food. Increased marketing and support for producers who want to sell produce direct to the public would further increase the availability of indigenous organic produce within Northern Ireland.

4.3 Summary

- The majority of retailers would not release figures for organic sales preferring to give more qualitative information. However, it is estimated that the organic retail market in Northern Ireland is worth £18 – 19 million.
- throughout Northern Ireland the majority (98%) of organic produce is sold through the multiple retailers;
- supermarkets and independent retailers source very little organic produce from within Northern Ireland;

- the low availability of locally produced organic goods, limited processing capacity and the low number of reliable supply networks make sourcing organic produce from Northern Ireland difficult;
- both independent and multiple retailers have stated a desire to source more local organic goods and improvements within the supply network will lead to larger quantities of indigenous organic produce being sold in the near future;
- sales of organic goods through farmers' markets, box schemes, farms shops and at the farm gate were worth £827,537 in 2005 and sales are increasing;
- the majority of producers who sell direct have found it to be a lucrative market, despite the extra overheads involved;
- there are now 20 farmers' markets in Northern Ireland, but only a small amount of organic produce is sold through these outlets. The survey found only 4 organic producers selling at farmers' markets;
- the survey found 8 producers who sold organic food through box schemes, 7 who sold through farm shops and 2 who sold at the farm gate. The majority of producers were involved in more than one enterprise;
- the majority of produce for direct sales was sourced in Northern Ireland. Direct sales are currently the most reliable way for a consumer to purchase indigenous organic produce.

5. Consumer Research

This section summarises the results of a piece of consumer research undertaken by Ipsos MORI on behalf of the Soil Association. The aim of the work was to investigate how organic and local organic food was perceived by the people of Northern Ireland and to assess the propensity of Northern Irish consumers to purchase organic and local organic produce. The findings of the work are compared to previous pieces of organic consumer research conducted in Northern Ireland and behaviour in Scotland and the UK. Finally some recommendations have been made to address some of the marketing issues raised within the section.

Research was carried out between February and March 2006. A total of 1009 interviews were conducted among a representative sample of Northern Ireland's population aged 15 plus. For representativeness the data was weighted by gender, age, location and social class.

Of the 1009 people interviewed 39% of respondents stated they bought organic food and drink nowadays. This broke down to 44% of the female population and 33% of the male population. There was a marked difference between social groups with 60% of the AB group claiming to purchase organic food compared to 28% in the DE group. The percentage of respondents claiming to have bought organic food increased from 29% in the 15-24 age bracket to 48% with people aged between 35 and 44 years. The proportion then dropped varying between 35 and 44% in older age categories. The social trends revealed during this survey are very similar to those in Scotland and the UK as a whole with greater numbers of people in their middle age and on higher incomes being more likely to purchase organic products.

When the responses were split between regions approximately half of respondents from County Armagh and Down stated they were buying organic food. Derry, Antrim and Belfast had significantly lower percentages with an average of around 30%. (NB: These figures are thought to be particularly high when taking into consideration the low number of organic market outlets within these regions.)

Respondents who stated they never buy organic food and drink were asked for reasons why. Around a third (34%) of respondents stated that organic food cost too much. A trend emerged when responses were broken down between social group with a greater proportion of people within higher income tiers stating price as a reason compared to those in the lower income categories (percentages decreased from 47% in the AB group to 28% in the DE grouping). Further reasons given by 19% of respondents was that they were either not interested, not motivated to buy organic, had never thought about buying it or didn't now what organic meant. Related to this, 3% of respondents stated that they didn't trust that food was organic.

The availability of organic produce was an issue raised by a number of people in the survey; 9% of those responding said that organic food was difficult to find. A reason given by 6% was that it was a waste of money and 4% said they would prefer to stick with normal, 17% of respondents stated they did not know or wouldn't state their reason for not buying organic.

Of those buying organic products 88% bought at least some in supermarkets. Just under a quarter of respondents purchased some organic food and drink in local shops, 16% bought organic produce in health food shops and 12% sometimes used both farm shops and farmers' markets to purchase organic goods. Other market outlets were each used by 1% or under of the respondents.

(Table 5.1.)
Question: Where do you buy your organic goods from?

Outlet	**%**
Supermarket	88
Local shop	24
Health food shop	16
Farm shop	12
Farmers' market	12
Dedicated organic shop	1
Direct from website	1
Base	**390**

Base: All respondents who buy organic food and drink

When people were asked where they bought organic goods from most often a similar picture to the one above emerged with supermarkets and local shops still being used by the greatest proportion of respondents (78% and 10% respectively).

(Table 5.2)

Question: Where do you buy your organic goods from most often?

Outlet	%
Supermarket	78
Local Shop	10
Health food shop	4
Farm shop	3
Farmers market	3
Dedicated organic shop	1
Direct from website	-
Base	**390**

Base: All respondents who buy organic food and drink

Supermarkets were used most by males in the 25-34 age group and in the C1 social group for the majority of their organic shopping. Local shops were most likely to be used by females aged between 35 to 44 and in the C2DE social group. Women within the same age category in the AB group were the greatest users of farmers' markets. Despite the very low number of farmers' markets selling organic produce within Northern Ireland they were the primary outlet for purchasing organic goods for 6% of respondents in County Down, Tyrone/ Fermanagh and Antrim. In the other counties no one stated that they used farmers' markets most frequently to purchase organic goods.

The survey also investigated the consumers' propensity for purchasing Northern Irish organic food and drink. Of the 39% of respondents who ever bought organic food and drink 36% stated they actively searched out organic produce from Northern Ireland. The data revealed a significant trend with the proportion of people actively looking for organic Northern Irish produce increasing through the age ranges from 24% in the 15-24 age group to 47% in the 65+ group. There were not significant differences between social categories or between most of the regions. Only 22% of people in County Armagh actively searching out Northern Irish organic produce, 14% below the national average.

Those people who said they did not actively search out Northern Irish organic produce were asked why they did not. A majority of 42% of the respondents either stated they *"don't care where it's from"* or *"no real reason /never really thought about it"*. The number of people giving this response decreased in the older age groups dropping from 41% of those aged between 15 and 54 to 27% of those aged 55 and older. Price was stated as a reason by 17% and was a major reason for not purchasing organic Northern Irish goods in the 45 to 64 year age group. However in the 65+ age bracket the proportion of people who stated price as a reason dropped to only 3%. The availability of organic produce from Northern Ireland was a factor for 16% of the respondents. A small number of people, 5% of the respondents, stated that they had no time or it was too much bother to actively look for organic goods from Northern Ireland. In relation to these reasons 1% of people bought whatever was 'handiest'. Quality was stated as a reason for not looking for organic products from Northern Ireland by 2%. A small proportion, just 1% of respondents, preferred produce from other countries, however, 9% of the AB social group stated this as a reason.

All those who did actively search out organic produce from Northern Ireland were asked which forms of organic food or drink they had purchased. The table below shows the percentage of overall respondents who buy each food category and breaks down the results to a county level.

(Table 5.3.)

Question: Which of these forms of organic food or drink that has been grown in Northern Ireland do you buy?

Food category	**NI**	**Region**						
		Belfast city	**Greater Belfast**	**Down**	**Armagh**	**Tyrone/ Fermanagh**	**Derry**	**Antrim**
Vegetable	84	89	81	84	100	85	73	80
Eggs	55	68	49	52	50	49	45	75
Fruit	54	53	56	36	50	60	63	75
Meat (beef, lamb, pork)	51	22	56	48	60	70	53	40
Dairy products	49	36	60	41	50	50	36	65
Poultry	40	31	47	42	30	44	26	40
Fish	26	21	31	23	10	25	26	35
Cereals	10	11	18	4	10	10	8	10
Babyware /food	2	-	3	4	-	-	-	-
Juice/ drink	1	5	4	-	-	-	-	-
other	2	-	3	-	-	-	10	5
Base	**142**	**20**	**31**	**31**	**9**	**23**	**11**	**17**

Base: All who actively search out organic produce from Northern Ireland

For most produce categories there was little difference in purchasing patterns between social groups. However for products with a greater organic premium such as meat (beef, lamb, pork) and poultry a larger proportion of respondents in the AB social group made a purchases compared to the C2DE groups.

5.1 Comparisons with recent consumer studies

Other consumer studies have recently investigated attitudes and spending behaviour in terms of local and organic produce. The PERIscope 2005 study showed that 11% of consumers in Northern Ireland consider the purchase of local produce when food shopping to be very important and 30% stated that they consider it to be fairly important. However a large proportion, 21% of consumers, stated they viewed the buying of local produce when shopping to be very unimportant. This compares well to the 36% of Northern Ireland's organic consumers who actively search out indigenous organic produce.

In the PERIscope 2005 survey 25% of respondents stated they never bought local produce while 62% bought local daily, several times a week, weekly or monthly. When checking food labelling 15% of consumers in Northern Ireland always checked the country of origin, while 36% sometimes checked and around 49% never checked for a label or origin. The MORI survey found that organic consumers did not always look at a products origins with around 40% of organic consumers not actively looking for indigenous produce stating that they did not care where the product had come from. PERIscope also found that the main reason for buying organic food was that it was of higher quality and better for you (40%). The better taste and absence of artificial chemicals and pesticides also registered highly as reasons why to buy organic. Only 9% of organic consumers in the PERIscope study stated their main reason for buying organic was that it is better for the environment.

In the PERIscope study consumers were asked if they were willing to buy produce from Northern Ireland: 21% stated they would purchase if it were available and were willing to pay more for it. A further 25% of respondents stated that they would if it was available but only if it were the same price as other quality produce from other countries. The proportion of people willing to pay more for local produce increased from 2003 to 2005. Similar figures for the popularity of local organic food was found in the MORI poll carried out for this project. Of the organic consumers surveyed 36% stated they would actively search for organic food from Northern Ireland. In both surveys older aged people were willing to pay more for indigenous produce than younger people.

5.2 Comparisons between the U.K, Scotland and Northern Ireland

In a recent BMRB poll the proportion of shoppers consciously purchasing organic products has risen to 71% throughout the U.K. This is well above the proportion stating to have purchased organic goods in Northern Ireland. However in a survey carried out in Scotland by TNS a similar percentage of respondents stated they had bought organic food and drink (37% in Scotland compared to 39% in Northern Ireland)[9].

Profiles of the Northern Irish and Scottish organic consumers can be developed from the data sets for comparison. Married females, aged between 35 and 44, in the AB social group are the most likely group to purchase organic goods. Scottish organic consumers fitted a very similar social category with a typical Scottish organic consumer just being slightly older in the 45-54 age group.

Scottish organic consumers are more reliant on supermarkets than their Northern Irish counterparts with 86% compared to 78% purchasing most of their organic shopping in supermarkets. In Northern Ireland local shops are the second most popular outlet to do the majority of the "organic shop" while in Scotland local shops were not stated as a response to the survey question. The table below shows the comparison between Scottish and Northern Irish organic consumer preferences.

(Table 5.4) Question: Where organic goods are purchased most often?

	Scotland %	**Northern Ireland** %
Supermarket	86	78
Local shop	-	10
Farmers' market	4	4
Farm shops	3	3
Health food shop	3	3
Base:	**370**	**390**

Base: All who currently buy organic food or drink nowadays

There was a similar commitment to indigenous produce from sets of organic consumers with just 6% more organic consumers in Scotland stating they would actively search out Scottish organic produce. The 2005 Mintel UK organic report[11] and the consumer surveys carried out in both Scotland and Northern Ireland showed that older consumers were more likely to make a commitment to purchasing indigenous organic produce.

In both Scotland and Northern Ireland the factors which stopped consumers from purchasing indigenous organic goods were investigated. Consumers in Scotland who purchased organic food and drink were asked what factors deterred them from purchasing Scottish organic produce. The majority stated price and lack of availability as the two major deterrents with very few other reasons being stated. In Northern Ireland consumers who stated that they did not actively search out indigenous organic produce were asked the same question. The most popular response was that they did not care where organic produce comes from or had never really thought about it. Despite the differing approaches between the two surveys this highlights a different level of understanding of the benefits of eating local organic food.

The MORI survey revealed that organic consumers purchase a much greater proportion of organic fresh vegetables than any other food type. Organic products which had undergone more processing such as juices and products placed in the "other" category are bought by a very small percentage of consumers. Mintel's 2005 Organic report[11] stated that "Consumers appear slow, even reluctant, to widen their repertoires of organic foods from fresh to prepacked, despite extensive new product development in prepacked foods". The lower price of fresh products and the underlying image tying organic to fresh produce play a role in maintaining this trend.

Consumer studies have shown that it is people within the AB social group who purchase the greatest quantities of organic produce. However, recent investigations indicate that for certain food groups the spending gap between the social classes may be decreasing. The table below is taken from the MORI survey carried out for this investigation. Lower income organic consumers who actively search out produce from Northern Ireland have a similar likelihood of purchasing certain organic food types to their AB counterparts (except meat) and in the case of fruit are even more likely to purchase than the AB group.

Mintel's 2005 UK Organic report[11], which covered most areas of the UK, also found a similar trend. People from lower income groups are purchasing organic food when the price differential between organic and non-organic is lower or when food is being marketed on a healthy eating platform.

(Table 5.5)

Question: Which of these forms of organic food or drink that has been grown in Northern Ireland do you buy?

Food category	Social Category			
	AB %	**C1 %**	**C2 %**	**DE %**
Vegetables	90	84	89	73
Eggs	56	58	53	52
Fruit	47	55	60	55
Meat (beef, lamb, pork)	64	51	50	39
Base	**31**	**52**	**26**	**33**

Base: All who actively search out organic food from Northern Ireland

5.3 Conclusions

It was found that better paid middle aged consumers in Northern Ireland are more likely to purchase organic goods. Younger organic consumers are less likely to purchase Northern Irish organic produce and consumers in the 15 to 24 age group are least likely to buy organic goods from any region. Price is stated as the most common reason consumers do not purchase organic, corresponding with other surveys carried out in Scotland and the UK as a whole.

A high number of consumers in some regions of Northern Ireland stated they purchased local organic produce despite the small number of market outlets within these areas. It is possible that there is some confusion over what the term organic actually means – over a fifth of Northern Irish respondents appeared to be uninformed or at least not fully aware of the nature of organic and the ethos it stands for. Respondents stated that they were either not interested, not motivated to buy organic, had never thought about buying it or didn't now what organic meant. Furthermore the most popular reason for not purchasing Northern Irish organic produce amongst organic consumers was that they did not care where it came from. This suggests organic consumers are not aware of the benefits associated with local food (environmental and health) and that they do not identify or feel they have any connection with locally produced food.

Vegetables were the indigenous organic product which consumers in Northern Ireland stated as buying the most, followed by eggs, fruit and meat. Several surveys have shown that the gap between the lower and higher income groups is decreasing when it comes to buying organic goods. This piece of research has shown that for fresh produce such as fruit and vegetables a similar proportion of respondents were claiming to buy from each social group.

Key objectives for the future should be:

- Education and further marketing - required to improve consumer awareness of what organic actually means, give a better understanding of the certification process and advertise the socio-economic, environmental and health benefits of consuming organic and local organic produce;
- begin to develop a Northern Irish food identity linking locally produced food to quality and health, improving the image of organic Northern Irish food;
- aid in the development of alternative markets such as buying groups and box schemes by highlighting the lower prices (through price comparisons) and associated health benefits.

6. Issues

Throughout stakeholder interviews factors hindering the development of the organic market were discussed. The following section summarises the common themes that emerged.

There are several large scale processors within the organic supply network in Northern Ireland. For example the beef and table bird sectors provide high volumes of product for the multiple retail trade. However, these processors are not supporting small scale producers selling direct to the public (e.g. pork and table birds). Without access to certified abattoirs, organic producers are unable to sell their produce as organic. There is also potential for a greater level of processing and for more specific markets such as organic baby food. Therefore, while there are large processors handling organic products within Northern Ireland, the supply network should be further developed to cater for small producers and also to facilitate the production of a greater range of processed foods.

The relative lack of support for developing the organic market compared to other areas of the UK. Including:

- Lack of financial support relative to other regions (no maintenance payments);
- fewer bodies working to raise awareness amongst the general public about the benefits of local, organic and artisan foods;
- fewer organisations helping farmers develop local markets and creating links between the producer and consumer.

6.1 The role of support bodies

There are differing attitudes between producers, processors and retailers towards DARD. However all agreed that it needed to examine its role in the organic market. The following points were made:

- The lack of financial support for organic farmers (after conversion) in Northern Ireland was highlighted as a major issue which needs to be addressed;
- there was a major problem for farmers wishing to increase and diversify their businesses (for example changing from sole dairy production to a mixed

horticulture and dairy) as DARD regulations stipulate that to receive any grant aid there should be no increase in levels of production;

- DARD has had Building Sustainable Prosperity (BSP) funding on offer. This has been available for organic processors and producers. The funding was well advertised through several different channels with 2 organic processors being successful. Despite this, several organic processors commented that there was a lack of financial support available to assist in developing organic processing. A greater level of support and communication between all organisations and groups would help DARD advertise the funding which was available and give businesses greater access to financial support;
- it was stated by several stakeholders that there were difficulties in accessing grant aid through DARD. The Department were criticised as being overly bureaucratic as the Intermediary Funding Body for both Peace II and BSP. DARD was also criticised generally for the way they administered the subsidy system for those converting to organic production. In light of these responses it could be beneficial to review the funding application procedure with a view of making it more accessible. Feedback from successful applicants on the difficulties of the application process may also be of benefit. Support bodies such as producer groups could also play a role in helping in the application procedure;
- several farmers stated that agriculture was generally under threat and that, as farmers are trying to increase the viability of their business, they needed as much support as possible. DARD is highly committed to the organic sector and has put a lot of resources into supporting it, especially technical support and advice for producers. While it is extremely important to recognise the important work that DARD carries out it is clear that the sector would benefit from a greater level of general assistance.
- There are comparatively few bodies promoting local and organic food in Northern Ireland. Greater levels of assistance from all quarters will lead to a stronger support network and better infrastructure for farmers in the organic industry.

6.2 Working partnerships

There is reluctance within the organic sector to develop mutually beneficial partnerships, which inhibits the development of productive relationships. There are producers groups and co-operatives but they are disjointed with little desire to work together.

Farmers state that they do not have a market for their produce while multiples and independent retailers report that they are not able to source enough organic produce. Despite this, some farmers are unwilling to develop any relationships with multiple retailers.

There is a negativity that exists throughout agriculture in Northern Ireland and the organic sector is no different. This factor, more than any other, will continue to hold the industry back unless action is taken. The establishment of further support networks for the organic sector will assist with this but this must be done carefully and fairly so that no one group is seen to be dictating the pace.

The sense of negativity is reflective of the current political situation in Northern Ireland. In the absence of a functioning assembly no real political progress is being made and farmers are losing out. There is no opportunity for the needs of farmers to be carried forward and there is a sense that civil servants are running the country. The situation regarding the assembly is still unresolved although there are ongoing attempts to have the assembly restarted by the end of 2006.

6.3 Moving forward

Despite the sense of negativity expressed by some farmers, there were comments that the organic industry and local organic markets had grown, particularly in the last 2 years. New markets have been developed and networks have been created within Northern Ireland. There was also awareness that at all levels, there is potential for much greater development in the organic food market. There was agreement that to reach its full potential there needs to be more support for developing alternative market outlets and a more strategic approach for raising awareness of the benefits of organic food. Additionally there was recognition of a gap in supply and demand. Some producers are concerned that any greater promotion of organic food production would lead to the loss of organic premiums for those already involved. It is certainly clear that any increases in production needs to take place in a controlled manner in line with market demand to prevent cases of oversupply.

On the whole, processors felt that greater links through improved communication and co-operation were required to consolidate organic processing. In particular there was a sense that for the sector to continue to develop, greater marketing of organic food and drink within Northern Ireland was required.

Retailers recognised that if progress is to be made greater interaction was required at all levels. However, it was stressed that farmers need to understand the market they are producing for and gear their production towards catering for the demand. It is apparent that Northern Ireland's organic farmers produce the same way they have for years, without considering market demands or trends. Support aimed at enabling farmers to market and sell their produce would aid the development of more market orientated production.

The issue of brand identity was also raised with conflicting thoughts on whether it was a good idea. Reference was made to attempts some years ago to establish the PONI (Product Of Northern Ireland) brand, which subsequently failed. From a marketing perspective, retailers are of the opinion that a branding system would not be beneficial but processors and producers tend to think the opposite. The issue of branding indigenous organic produce needs closer examination.

Other issues that became evident were that of the capacity of the organic sector to provide enough feed to sustain production and allow further growth. This issue was raised at all levels within the organic sector, indicating the severity of the problem. Organic feed is made from imported ingredients at present with evidence that Northern Ireland is quickly facing a crisis in maintaining feed levels. Consideration must be given as to how feed can be provided from within; this should be as part of the larger strategy for Northern Ireland to fully service its local organic market.

6.4 Summary

The main obstacles that need to be overcome within the Northern Ireland organic market can be summarised as follows:

- Low general support structures compared to other areas of the UK;
- an absence of maintenance payments for organic production means that Northern Ireland, in comparison with the rest of the UK, is disadvantaged;

- lack of strategic development;
- lack of political structure;
- low number of local/ alternative organic food systems;
- increasing demand for organics not met from within;
- opposing views on the need for brand identity for Northern Ireland;
- impending crisis over organic feed;

There are, however, many positive developments within the organic market such as:

- A growing demand for organic produce;
- a large amount of interest from farmers for converting to organic production;
- strong organic supply networks in sectors such as organic lamb and beef;
- supermarkets now stock locally produced organic milk, eggs, poultry and lamb in various quantities;
- development of farmers' markets

7. Supply network development and recommendations

Levels of organic production vary between sectors with the largest and most developed sectors selling through multiple retailers. Sectors, such as organic beef and table birds, have an extremely high production capacity but are unable to service local markets as a large proportion of what is sold is sold to multiple retailers and distributed throughout the UK. The survey suggests that there are opportunities for producers and other businesses to diversify their marketing strategies to include direct sales. However, the local demand should be thoroughly assessed before decisions are made.

In other sectors such as organic horticulture and organic pork production, volumes are extremely small and demand exceeds indigenous production by some margin. Increased production should be encouraged but this should be backed up by more in depth, sector specific, market intelligence to ensure this is done in line with market demand.

Poor levels of co-operation and communication through the organic supply network has led to organic produce being sold as non-organic and the unnecessary importation of products from the mainland or further afield. Ongoing work is improving the situation particularly within the organic lamb sector, but discussion and networking events should be held to encourage communication, co-operation and the development of new trading relationships.

Within the organic dairy sector, supply network development is at a relatively advanced stage. As a result, stakeholders tend to be optimistic about its future. This may be due in part to a number of key players who are actively guiding its development. Organic milk from Northern Ireland is stocked in Northern Ireland retail outlets and is available through direct sales from a small number of producers.

Interviewees suggested that farmers could focus more on the specific market they are growing for. The encouragement of greater communication between producers, processors and retailers would lead to a greater understanding of the needs and wants of others. It is apparent however that some farmers in Northern Ireland are reluctant to develop relationships with processors or retailers and in particular, there is hostility towards multiple retailers.

There was evidence of dislocation with producers stating that they cannot get a market for their organic produce while retailers and processors often state they cannot source enough. A greater level of co-operation and communication between producers within regions and across the UK can prevent this from occurring. One way of ensuring this is through the development of producer groups/co-operatives. Currently less than half of Northern Ireland's organic producers are involved with producer groups/co-operatives and there is great potential to increase membership. This would create a more cohesive and co-ordinated supply base ensuring organic farmers are able to meet the unsatisfied demand. In addition there are many benefits to group membership including bulk buying, advice and information.

Consequently, the organic sector should look at existing networks of producer groups/co-operatives, and if necessary, set up additional groups and promote the benefits of membership to all producers. More constructive interaction between groups in Northern Ireland and across the UK should be fostered and a strategic approach adopted to their development. This will help to ensure that the supply base develops in line with demand and as many producers as possible are enrolled into these mutually beneficial arrangements.

Aside from the relationships within and between groups, there is also work required to develop links with processors; at varying levels, processors complained about not being able to source organic products. This has resulted in a number of processors decertifying or halting their organic processing activities having found volumes too low to maintain production and profitability.

Independent and multiple retailers are keen to increase sales of indigenous organic produce. Work needs to be done to build trust and increase communication so that producers are able to access the substantial markets that multiple retailers represent and where possible, retailers are able to source organic products from Northern Ireland. Greater transparency, co-operation and communication throughout the supply network is needed to develop trust within the organic sector and remove old barriers hindering further development. There is support already available from DARD's Supply Chain Development Branch, which has run a supply chain awareness programme for producers and this type of work should be promoted and continued.

While the majority of organic produce consumed in Northern Ireland is purchased through multiple retailers, there is a small but expanding direct sales sector. Direct sales not only enhance the environmental benefits that organic farming offers but they also generate substantial local socio-economic benefits. Further work needs to be done to support the development of 'local' food initiatives. For example, the development of case studies on stall holders at farmers' markets, including cost benefit analysis, the processes involved in entering the sector and general sales information would be of benefit to all stakeholders. A greater level of information regarding the strategies that have been used by successful direct sales operators in Northern Ireland will enable farmers to make informed judgements on whether they are in a position to make such an enterprises viable, and if so, how best to approach it. While making this sort of information available is helpful, practical day-to-day advice is also necessary.

As with all business development, an amount of capital is essential, especially during the 'start up' phase. The interview survey found that while some stakeholders are aware that funds are available, for example through Building Sustainable Prosperity (BSP) (with 2 grants being awarded to organic processors), respondents found it to be extremely difficult to secure. The survey suggests that the availability and accessibility of financial support could be improved. Additionally help from various sources could be provided in completing the necessary forms.

During discussion with interviewees, the role of DARD, LMC and UFU came up on a number of occasions. In general, organic producers felt unsupported by these bodies and that they were not properly representing their interests. At least two producers refused to participate in interviews as they had an aversion to providing any information that may ultimately benefit DARD. It should be acknowledged that DARD are committed to the developing the organic market. However in many cases the type of support required may be outside DARD's remit.

The consumer survey highlighted that a high proportion of consumers have a desire and commitment to purchasing indigenous organic produce. However there are concerns that there is confusion over what the term organic actually means. Stakeholders have also suggested that a concerted marketing campaign would help Northern Ireland's organic market to develop. A consumer education initiative should be developed with the express aims of dispelling any confusion surrounding the term organic. Additionally, publicising the health, environmental and socio-economic benefits that organic farming offers will attract consumers.

The survey suggests that the organic market would benefit from further support either through DARD or other stakeholders. In light of this projects findings it is clear that work still needs to be done. DARD needs to reassess what it can deliver and decide whether it is able to provide the necessary level of support or whether an external body should tackle this.

To address the issues highlighted in the report and act on the recommendations, there is a need to:

- increase communication and co-ordination throughout the organic supply network throughout Northern Ireland and at a UK wide level;
- ensure that production is geared towards meeting demand (for both domestic and export markets);
- develop systems for collecting and disseminating market information;
- reduce negativity and create a sense of a unified organic sector in Northern Ireland;
- increase capacity to produce, process and sell indigenous organic produce;
- actively publicise Northern Ireland's organic sector;
- and ensure organic producers and processors are properly represented in discussion with DARD, LMC, UFU and other external bodies.
- Increase financial support for organic farmers and processors

7.1 Summary of recommendations

The organic market within Northern Ireland is showing very positive signs of growth. There has been development not only in production capacity but also throughout the entire supply network. Further support would help to ensure the continued development of the organic supply network in Northern Ireland and aid the creation of a sustainable, healthy and vibrant rural economy.

- The survey suggests that there are opportunities for businesses to diversify their marketing strategies to include direct sales (although the local demand should be thoroughly assessed before decisions are made);
- the organic sector should look at existing networks of producer groups/co-operatives, and if necessary set up additional groups and promote the benefits of membership to all producers. More constructive interaction between groups should be fostered and a strategic approach to their development should be adopted;
- due to a general distrust of retailers there is reluctance on behalf of some producers to engage with them. Work needs to be done to address this issue so that producers are able to access the substantial markets that multiple retailers represent and where possible, retailers are able to source organic products from Northern Ireland;
- greater transparency, co-operation and communication throughout the supply network is needed to develop trust within the organic sector and remove old barriers hindering further development. Discussion and networking events should be held to encourage co-operation and the development of new trading relationships;
- further work needs to be done to support the development of 'local' food initiatives. For example, the development of case studies on stall holders at farmers' markets, including cost benefit analysis, the processes involved in entering the sector and general sales information would be of benefit to all stakeholders. While it is helpful to make this sort of information available, practical day-to-day advice is also necessary;
- the sale of indigenous organic food through Northern Ireland's independent retailers should be encouraged and mutually beneficial trading relationships established;
- the availability and accessibility of financial support (BSP) should be improved and help provided in completing the necessary forms. Additionally, the application procedure for grant aid should be reviewed – with feedback from successful applicants;
- maintenance payments should be established to avoid disadvantaging Northern Ireland's producers and bring them in line with other parts of the UK;

- a consumer education initiative should be developed with the express aims of dispelling any confusion surrounding the term organic;
- the health, environmental and socio-economic benefits that organic farming offers should be more widely publicised;
- DARD needs to reassess what it can deliver and decide what level of support it is able to provide and if necessary, develop partnerships with other sector bodies.