



REPORT 2006

ORGANIC MARKET

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Soil Association
the heart of organic food & farming

EXECUTIVE SUMMARY



Organic food and farming worldwide

- The global market for organic food and drink was worth an estimated £16.7 billion in 2005
- The UK has the third largest market for organic food in Europe, after Germany and Italy
- More than 50% of Europe's organic land is in Italy, Germany, Spain and the UK.



Policy developments in the UK

- The European Commission proposed that up to 0.9% GM contamination should be allowed in organic food
- In March 2005, the Government announced £280 million in funding over the next three years for improvements to school meals
- 2005 was the first year that scientific proof of particular health benefits of organic food had a demonstrable impact on the organic market.



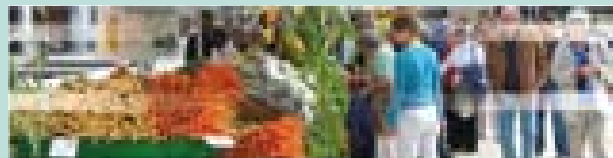
Organic farming in the UK

- In-conversion land area increased for the first time in four years to 87,020 hectares
- The number of enquiries made to the Organic Conversion Information Service (OCIS) in England and Wales increased by 42% between 2004 and 2005
- The first cod farm achieved organic status in July 2005
- An estimated 8.9 million organic table birds were slaughtered in 2005, an increase of 55% since 2004
- Sales of organic milk exceeded 200 million litres in 2005 and are worth approximately £100 million a year
- In 2005, the farm gate value of organic meat and poultry was an estimated £129 million, an increase of 59% since 2004.



Processed organic products

- The number of registered organic processors and importers in the UK increased by 5% to 2,135 in January 2006
- Sales of organic ales through the multiple retailers increased by more than 30% in 2005
- The retail market for prepared organic foods was worth £170–200 million in 2005
- The processed organic dairy market (butter, cheese, yogurt) was worth approximately £130 million in 2005.



Retail sales and imports

- Retail sales of organic products in the UK were worth approximately £1.6 billion during 2005, an increase of 30% on the previous year
- Retail sales made through producer-owned outlets, such as box schemes, mail order, shops and farmers' markets, increased by an estimated 11% to £125 million in 2005
- Approximately 66% of the organic primary produce sold in multiple retailers was sourced in the UK in 2005
- In 2005, there were 550 farmers' markets in the UK, with a combined annual turnover of £220 million.



Organic consumers

- Three years ago, approximately half of consumers were knowingly buying organic food. That figure has now risen to nearly two in three shoppers
- A clear majority of consumers would prefer to buy a local non-organic option rather than an imported organic one
- Approximately four out of ten (44%) organic shoppers said they liked to buy 'distinctive organic brands'.

FOREWORD

On the Soil Association's 60th anniversary it is gratifying to report that, for the ninth successive year, the UK organic market has enjoyed a double figure growth rate. Indeed, during 2005 the overall organic market increased by 30% – some three times higher than the previous year.

These statistics are truly remarkable, and are a cause for great optimism. At a time when there is world-wide concern about the impact of climate change, here is an example of how every citizen can exercise their buying power to bring about a more sustainable future. These remarkable figures are a true reflection of the trust that millions of British consumers have invested in the integrity of organic food and farming.

Yet in the same period the total land area under organic management in the UK actually fell by 8%. Indeed, the area of land that was entered into conversion during 2005 now represents just 14% of the total organically farmed area – an inadequate area to satisfy the growth in demand. The inescapable conclusion is that, despite the buoyancy of the market, British farmers and growers are still nervous about the economic sustainability of organic farming.

A very positive fact is that direct sales have increased for the second year running, with the greatest successes found where produce is sold through strong, independent brands. Indeed, it appears that producers and processors who supply own-label supermarket products are feeling particularly vulnerable at present. The Soil Association is working on a number of fronts to build producer confidence and to create structures where trading relationships work to protect the long-term interests of organic producers.

Continued growth and public support for organic food and farming can and will be sustained, but only if commercial interests are underpinned by the principles and values that inspired our founders 60 years ago.



Patrick Holden
Director, Soil Association



Soil Association
the heart of organic food & farming

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1 ORGANIC FOOD & FARMING WORLDWIDE

THE GLOBAL MARKET FOR ORGANIC FOOD AND DRINK WAS WORTH AN ESTIMATED £16.7 BILLION IN 2005

THE UK HAS THE THIRD LARGEST MARKET FOR ORGANIC FOOD IN EUROPE, AFTER GERMANY AND ITALY

MORE THAN 50% OF EUROPE'S ORGANIC LAND IS IN ITALY, GERMANY, SPAIN AND THE UK



CASE STUDY P.62

The global market for organic food and drink was worth an estimated £16.7 billion in 2005 – a £1.2 billion increase on the previous year.

In 2005, 31 million hectares (ha) of land were farmed organically across 623,147 organic farms in 120 countries worldwide. If certified forest and wild harvest land are included in the total, the global organic land area increases to 51.2 million ha.¹

1.1 The Americas

North America has the largest market for organic food and drink. In 2005, the market for organic produce in North America grew by £0.8 billion, faster than any other region in the world.

1.2 Asia

In 2005, there were 4.064 million ha of organic farmland in Asia, 85% of which was in China. Japan, South Korea, Taiwan, Singapore and Malaysia have the largest Asian markets for organic food.

1.3 Oceania

In 2005, 39% of the world's organic farmland was in Oceania. However, the market for organic produce in Oceanic countries, such as Australia and New Zealand, are disproportionately small – just £145 million in 2005.

1.4 Africa

There are more than one million ha of organic farmland in Africa, primarily in Sudan, Zambia and Kenya.

1.5 Europe

Note: Organic Market Report 2006 has been published earlier than usual so it is not possible to include 2005 data for the whole of the EU as many countries do not report before July of the following year. 2005 data and trends for individual countries have been included where available.

- In 2004, over six million ha, or 4% of total farmland, was managed organically on 150,000 holdings across the EU³
- In total there are 157,000 registered operators (producers, processors and importers) in the EU15. Approximately 25,000 were processors. Italy (25%), Germany (22%) and France (19%) had the largest number of organic processors⁴
- The average organic farm size in Europe was 40 ha – larger than the average non-organic farm size (15 ha). Organic holdings are particularly large in Greece and Portugal (nine times larger), due to a relatively high number of organic olive groves⁴
- In 2003, grassland and fodder crops were grown on 61% (or 3.1 million ha) of the total organic land area in Europe. Arable crops were grown on a quarter of the total land area and a further 8% (0.4 million ha) was under horticultural production⁴

Figure 1
Organic farmland by region 2005²

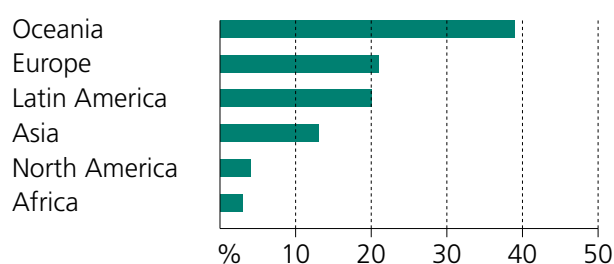
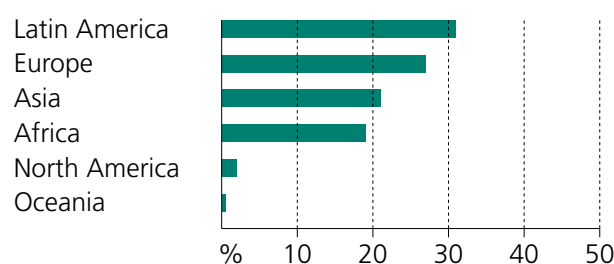


Figure 2
Number of organic farms by region 2005²



- In 2003, approximately three million livestock units (LU) or 2.3% of the EU25's total were certified as organic. Italy, Sweden and Germany had the largest certified herds, with more than 400,000 LU each. Within the EU15, certified dairy cows amounted to 483,000 heads or 2.5% of the total dairy herd, with the UK and Germany representing 40%. Other EU15 certified cattle amounted to one million heads or 1.7% of the total cattle (non-dairy) herd, a quarter of which were held in Austria⁴
- The number of certified organic pigs remained relatively low with 450,000 head (or 0.4% of EU15's total pig herd). There were six million certified laying hens, the majority of which were in the UK and France. Certified sheep and goats amounted to 2.4 million heads (or 2.4% of total sheep and goat herds). Significant proportions of the sheep are located in the UK and Italy, and half of the certified goats are located in Greece.⁴

Germany

- Organic sales increased by 8% during the first nine months of 2005, with an estimated sales value of €3.9 billion
- Discount chains and organic supermarkets profited from increased consumer interest in organic food. The strong increase in demand, relatively low producer prices and the partial stop of direct payments for organic farming led to an increase in the volume of imported organic food (from Austrian, Scandinavian and Central and Eastern European countries). Growth is expected to continue in 2006 and shortages of supply of some raw materials are likely to occur.^{5,6,7}

France

- A study by Agence-Bio showed that organic products are becoming more popular in France; 47% of consumers bought organic produce in 2005, compared to 44% in 2004. Some 73% buy organic fruit and vegetables regularly and 61%

Table 1

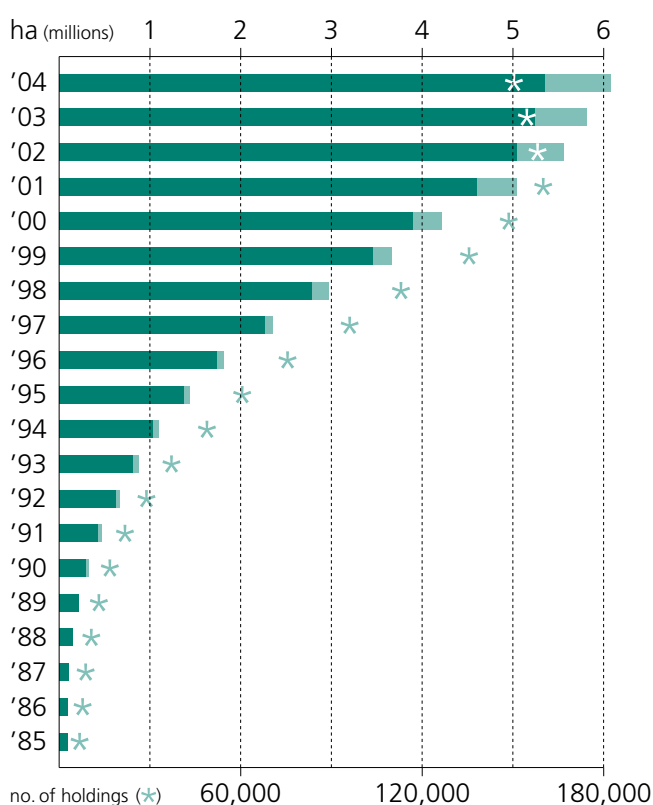
Countries with the largest areas of organic farmland (hectares) 2005²

Australia	12,126,633
China	3,466,570
Argentina	2,800,000
Italy	845,361
USA	889,048
Brazil	887,637
Germany	767,891
Uruguay	759,000
Spain	733,182
UK	631,144

Figure 3

Development of organic land area (million hectares) and number of holdings in the EU 1985–2004

(■ first 15 members) (■ new members)



buy organic eggs. As in the UK the most important sales channels in France are multiple retailers, followed by markets, specialists shops and direct sales

- The production of organic milk has increased faster than demand. In 2004 nearly half of the organic milk was sold into non-organic markets and many farmers have stopped producing organic milk.⁸

Italy

- Italy has the largest certified organic area in Europe. The most important crops are forage crops and pastures (48%), cereals (20%), fruit trees, including vineyards and olive-tree (18%) and vegetables and industrial crops (4%)⁹
- Organic food in schools is a sector of growing importance. In 2004, 920,000 organic meals were provided every day to schools, an increase of 15% since 2003. The number of restaurants offering organic products has increased to more than 400.⁸

Denmark

- The organic market in Denmark accounts for approximately 5.5% of the total food market. In 2005, organic turnover increased by approximately 10% to €300 million⁶ suggesting that the period of stagnation experienced by the Danish market has come to an end⁶
- Denmark exports 10% of its organic production and continues to be Europe's biggest supplier of organic milk, closely followed by meat.⁷

Austria

- In 2005, organic products were worth an estimated €412 million (excluding exports), an increase of more than 10% since 2004. Domestic production, in particular for fruit and vegetables, is struggling to meet demand and self sufficiency dropped to below 50% for some products
- Domestic production of organic beef was high enough to supply all existing contracts but not to develop new lines. The market is expected to continue growing in 2006.¹⁰

Figure 4

Percentage distribution of organic land area in the EU 2004

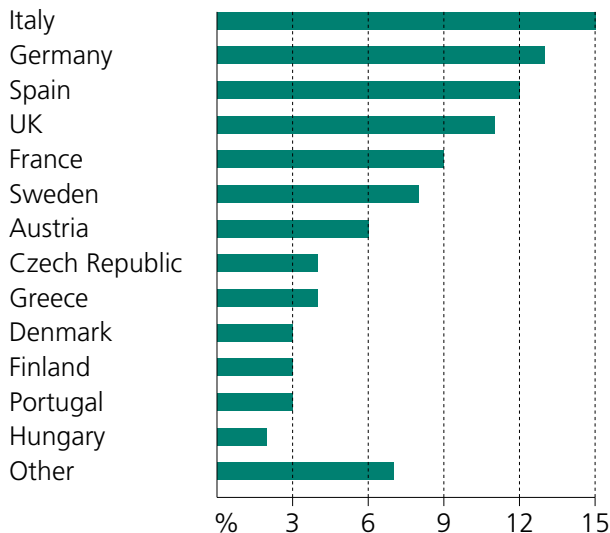
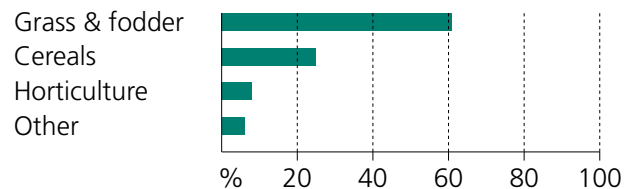


Figure 5

EU organic land by enterprise 2004



The Netherlands

- In 2005, sales of organic produce grew by 1.4% to €467.4 million. High growth occurred in the health food chain (5%), and in catering (22%). Due to competition between retailers the turnover of organic products in Dutch multiple retailers decreased for the first time in 10 years by 2.6%
- Jan Groen, director of Green Organics, an international trade organisation in organic vegetables, predicts that there will be a shortage of organic horticultural crops in the Netherlands. To ensure that supply follows demand, he has suggested that conversion subsidies similar to those found in Germany and the UK must be re-introduced. In the Netherlands, farmers currently only receive maintenance grants.^{6,11}

Belgium

- In Belgium multiple retailers have a 55% share of the organic retail market. However, weekly markets are becoming more popular and are now worth 8% of the market, compared to 5% in 2004. In the first quarter of 2005, the total fresh produce market decreased by 3.3%, although consumption of fresh organic products increased by 5.3%.¹²

Switzerland

- In 2005, the number of organic farms in Switzerland declined slightly for the first time in 25 years. This is attributed to structural changes in the agricultural industry that also affect the organic sector
- The organic market maintained its value of approximately €789 million. The lack of growth may be due to the arrival of discounter stores in Switzerland. Sales of organic fruit, vegetables and eggs increased, but sales of organic meat and milk fell slightly. Swiss consumers continue to be the biggest organic spenders in Europe at €101/head.⁷

Norway

- The Norwegian government has set a target for 15% of Norwegian food production and consumption to be organic by 2015.⁸

Turkey

- In 2004, there were 210,000 ha of organically managed land in Turkey on approximately 12,800 holdings. The majority of exports go to Germany, the Netherlands, the UK, Italy and France.⁶

Spain

- Organic land area increased by 10% to 807,569 ha, whereas the number of producers declined. Half of the organic area and about half of the producers are in Andalusia (403,361 ha and 5,159 ha producers). The majority of processors are based in Catalonia.⁶

Central and Eastern Europe (CEE)

- Organic agriculture in Estonia has developed strongly. In 2005, 58,000 ha on more than 1,000 holdings were certified as in-conversion or organic
- Organic land area in Poland doubled between 2004 and 2005, reaching approximately 168,700 ha on 7,200 farms, although farm size remains small (average of 22 ha). The domestic market is slow to develop and significant volumes of organic products are sold as non-organic
- In 2005, sales of organic products in the Czech Republic rose 30% to approximately €11.7 million
- In 2005, the organically managed land area in Romania increased by 25% to 100,000 ha. With the possibility that Romania will enter the EU in 2007, growth is expected to continue
- In Croatia, the government has a set target to increase the organic land area to 10% of the total land area by 2010.¹³

UK and the rest of Europe

- In 2004, the UK had the third largest market for organic food in Europe, after Germany and Italy
- UK organically managed land area as a percentage of total agricultural land is marginally higher than the European average, but remains lower than Sweden, Austria, Italy, Denmark and Finland
- In 2005, the average organic farm size in the UK was 146 ha, considerably larger than the EU25 average of 40 ha
- More than 50% of Europe's organic land area is in Italy, Germany, Spain and the UK.

2 POLICY DEVELOPMENTS IN THE UK

THE EUROPEAN COMMISSION PROPOSED THAT UP TO 0.9% GM CONTAMINATION SHOULD BE ALLOWED IN ORGANIC FOOD

IN MARCH 2005, THE GOVERNMENT ANNOUNCED £280 MILLION IN FUNDING OVER THE NEXT THREE YEARS FOR IMPROVEMENTS TO SCHOOL MEALS

2005 WAS THE FIRST YEAR THAT SCIENTIFIC PROOF OF PARTICULAR HEALTH BENEFITS OF ORGANIC FOOD HAD A DEMONSTRABLE IMPACT ON THE ORGANIC MARKET



2.1 Government and European policy

Revision of the EU Organic Regulation

In 2005, the European Commission published draft proposals for a complete revision of the EU regulation on organic production standards, Regulation 2092/91. In an attempt to support regional differences the Commission proposes that all organic products should carry the EU organic logo or the words 'EU-organic' on the label, and that up to 0.9% GM contamination should be allowed in organic food. This led to concern that the proposed revision will damage the strength of the EU regulation. The revision also includes some positive proposals, including the extension of the EU standards to cover organic wine and aquaculture production.

National organic action plans

In 2005, the established organic action plans for England, Wales and Scotland provided guidance for significant work started during the year:

- Driven by the English Organic Action Plan, which aims to increase reliance on UK products for UK markets, Defra funded a research project which aims to identify the import levels for beef, pork, potatoes and brassicas, along with identifying why decisions are made to import. This work will be completed in 2006 and should provide information to increase reliance on indigenous produce
- In Wales, following actions outlined in the Welsh Organic Action Plan, the organic strategy group initiated a series of working groups to develop sector specific plans covering red meat, dairy and horticulture, and also to look at standards development, consumer awareness and retail. The Welsh Development Agency (WDA) funded a report (due to be completed in 2006) identifying priority food and farming related investment opportunities in Wales
- At the end of 2005, Northern Ireland was the only country in the UK not to have published an action plan. However, the Northern Ireland Lead Group continued to meet with the aim of developing strategic proposals for the organic sector, a process which led to an action plan being launched at the Balmoral Show in May 2006
- Scotland's organic stakeholder group continued to meet with the aim of taking forward recommendations in the Scottish Organic

Action Plan. In addition, the Soil Association conducted a major piece of market intelligence funded by the Scottish Executive (SEERAD), which examined the level of market penetration of organic food in Scotland.³⁰

Strategy for Sustainable Food and Farming

In 2005, agricultural development continued to be influenced by the Strategy for Sustainable Food and Farming (SSFF). Every Regional Development Agency (RDA) in England is charged with setting up 'implementation groups' to ensure that the proposed policies are incorporated into regional strategies. The groups are made up of key organisations, policy makers and producers. In 2005, a working group evaluated progress across all English regions; this work coincided with a continued gradual move towards devolution of central policy and decision making into the regions. RDA's have defined their own strategies for food and drink activities and also the setting up, or supporting, of existing specialist regional food groups. The role of organic food and drink within these strategies is variable. Some view organic farming as having the potential to play an important role in improving the economic and environmental performance of a region's businesses. However, other regions are more vague about the role that organic food can play. SSFF continues to be a major influence on central and regional English food and farming policies and, as a result, several key bodies have now been set up to offer support and guidance. These include the English Food and Farming Partnership, Enterprise Gateways and the Red Meat Industry Forum.

Bovine TB

The final quarter of 2005 saw an increased focus on control measures for bovine TB with the announcement of new measures to tackle the disease. These included proposals for statutory pre-movement testing of cattle (which commenced during 2005 in Scotland and March 2006 in England and Wales), a change in compensation rates for TB reactors and plans for a public consultation on the culling of badgers (both completed in March 2006). The measures follow on from the completion of the Krebs Independent Review Team, which studied the link between TB and badgers on behalf of the Government.

The compensation rates for organic farmers with TB affected cattle were inadequate because the

categories set by Defra did not consider the additional value of organic breeding stock. The change in payments coincided with an upturn in the market for organic dairy products, which led to an increase in value of organic dairy cows. The Soil Association called for Defra to provide a percentage top up across all categories for organic farmers, but so far this has been unsuccessful.

Government support for organic farming

From 1 January 2005, all direct payments for cereals, beef, dairy and sheep were de-coupled from production. A single de-coupled income payment for each farm, the Single Payment Scheme (SPS), was introduced after this date.

England

- As part of the new Environmental Stewardship Scheme, the Organic Entry Level Scheme (OELS) was launched in March 2005. The other strands were a Basic Entry Level Scheme, open to all farmers, and a Higher Level Scheme (HLS). Organic farmers have the option of entering an OELS agreement and a HLS agreement on the same land. HLS is a competitive scheme, based on regional biodiversity targets so not all farms are eligible, but in principle organic farmers who are also providing additional environmental benefits can receive payments for this
- In the first year the SPS payment was made up from 90% historic entitlements, relating to subsidy payments on the farm in reference years, and 10% from a regional area based payment. Over time the percentage of payment based on historic entitlements will decrease. By 2012 all of the pay-out will come from area payments. However, no payments had been received by March 2006. Consequently, most farm businesses have not received any support payments for 18 months, creating severe cash flow problems and high levels of borrowing.

Northern Ireland

- The Department of Agriculture and Rural Development (DARD) continues to support organic farming in Northern Ireland through the Organic Farming Scheme, providing front-loaded area based support for conversion to organic production. Northern Ireland has adopted a 'static hybrid' approach to SPS payments where the proportion payment made

from historic entitlement and regional payments will remain the same

- DARD closed the Organic Farming (Conversion of Animal Housing) Scheme to new applicants after 30 September 2005. The £2 million grant aid this provided has ensured that more than £3 million has been invested into the organic sector, enabling some 80 organic producers to upgrade their livestock housing.

Scotland

- In 2005, a review of the agri-environment schemes led to revised payment rates being introduced under the Scottish Organic Aid Scheme (OAS). The changes were intended to make the scheme more flexible
- In Scotland most farmers received the bulk of their SFP before the end of 2005. Although still in development, the Land Management Contract Model of agricultural support has been introduced, with tiers 1 and 2 being available to all farmers. Tier 3 is still in development but is likely to consist of more ambitious but discretionary schemes. Applications will be ranked and only a proportion granted funding. Both conversion and maintenance support for organic farming will be part of this third tier but the budget has not been decided and will be affected by EU priorities.

Wales

- Organic farmers in Wales continue to have access to support through a range of agri-environment schemes including OFS conversion and maintenance phases, as well as Tir Cynnal or Tir Gofal
- Farmers who applied to Tir Cynnal, equivalent to the English Entry-Level scheme, on their Single Application Form in May 2005 were to receive Resource Management Plan templates in early 2006 and agreements in spring 2006. Organic farmers are eligible for the entire Tir Cynnal payment on top of their OFS or maintenance scheme payments
- Tir Gofal, has been closed to new applications since 2003. There are suggestions it may re-open soon but the administration of the scheme will move from the Countryside Council for Wales to the National Assembly in August 2006 and the scheme may not re-open until after the move. Proposals to remove the Tir Mynydd scheme by 2007 or 2009 may increase the likelihood of the remaining farmers applying for further agri-environmental support.

2.2 Soil Association policy

School meals

In an announcement in February 2006, the Government agreed that specifications for processed foods in school meals should be drawn up. In March, the Government announced £280 million in funding over the next three years for schools and local authorities to improve school meals. The English Government also established the School Meals Review Panel to recommend nutritional standards and other improvements for school food, and established an independent body, the School Food Trust, to oversee the improvements. Meanwhile, the Welsh Assembly began to review its school meal provision, and the Scottish Executive programme Hungry for Success entered its third year. The School Meals Review Panel published a report called *Turning the Tables – Transforming school food*. Among the many recommendations, the report proposed the removal of junk food from schools and the use of a set of nutritional and food standards. This will apply to all schools meals from September 2006.

Further support for the sustainable sourcing of school meals came in a report from the Sustainable Consumption round-table (jointly hosted by the National Consumer Council and the Sustainable Development Commission) called *Double Dividend*. Written by the Soil Association and Cardiff University, it looked at how school meals could be both healthy and have a reduced environmental impact. It highlighted that what we eat has more impact on climate change than any other aspect of daily life.¹⁴ The recommendations of this report, which support further organic sourcing, are now being considered by the School Food Trust and LEAs across England.

Agrochemicals

In 2005, The Royal Commission on Environmental Pollution held an inquiry into rural residents' exposure to pesticides. Their report, published in the spring, advised that "a more precautionary approach" was needed to protect the public and recommended the use of no-spray strips by houses.

Antibiotics

The Government adopted new veterinary medicines legislation in 2005, which simplified the law and introduced additional safeguards. The Soil Association had hoped for a ban on advertising

antibiotics direct to farmers, but industry lobbying led to medical antibiotics still being advertised in the farming press. The new veterinary legislation restricts the preparation, marketing and administration of homeopathic remedies on farms. This could be a problem for many organic farmers. The Veterinary Medicines Directorate (VMD) has agreed to consult and revise this part of the legislation before implementing it. In addition, the Government finally agreed to long-standing demands to publish all findings of contaminated samples. Defra has started to take the issue of routine antibiotic use in agriculture more seriously, spending £6.3 million on 30 research projects over the last three years.

Health impacts associated with GMO's

In 2005, the new science of epigenetics (meaning 'above genetics') and a growing number of animal trials revealed that there may be side effects associated with GMO's. Some GMO's have been approved and marketed for several years, but understanding of the impact on the biology of living organisms is limited.

In June, the Food Standards Agency (FSA) reported on its programme of UK studies into the side effects of genetic engineering on the metabolism of plants. It found that genetic engineering systematically causes a large number of random genetic and chemical changes. So far, the biotechnology industry and FSA are claiming that these findings do not necessarily suggest any safety problems, as the quantity of changes are not necessarily greater than the differences that exist as a result of different growing conditions. However, growing scientific evidence suggests that the transfer of genes between species could be more unpredictable and risky than conventional breeding techniques. It is already understood that the artificial insertion of genes randomly disrupts other genes and plant processes. The details of interactions between an organism as a whole and its genes are still far from known, which could explain why genetic engineering is so unpredictable. The publication of Australian research into GM peas in November caused widespread consternation as it indicated that genetic engineering can cause unique problems. The research found that the transfer of a 'safe' gene – in other words, one producing a protein of known safety – from a closely related bean to a pea resulted in a different protein being produced, causing allergic reactions in mice.

Evidence of the benefits of organic food and farming

2005 was the first year that scientific proof of particular health benefits of organic food had a demonstrable impact on the organic market. At the beginning of the year, findings by the Danish Research Institute of Agricultural Sciences (part of the EU-wide Quality Low Input Food research project) suggested that organic milk has higher levels of several nutrients. A Channel 4 documentary on the multiple retailers also covered this issue in August (Supermarket Secrets). A 10% rise in organic milk sales immediately followed. In total, five studies have now shown that organic milk has more beneficial levels of several nutrients than non-organic milk, including essential fatty acid omega-3, vitamin E and beta-carotene.

- Research by the Institute of Brain Chemistry and Human Nutrition found that organic chicken has 25% less fat than non-organic chicken, which now contains more fat than protein¹⁶
- The *New Scientist* reported on published research from California which found that organic tomato ketchup contains more of the cancer-fighting antioxidant lycopene than non-organic ketchup¹⁷
- There have now been 13 studies comparing mycotoxin risks in organic and non-organic products. Of these, nine found a lower risk or levels in organic products; only one found a higher risk or level¹⁸
- The British Trust for Ornithology, the Centre for Ecology and Hydrology, and the Wildlife Conservation Research Unit reported on the completion of a large-scale comparative biodiversity survey of lowland mixed farms with an arable component in England. They discovered that organic farms support twice as many plants and a third more birds and bats than non-organic farms¹⁹
- The UK Government and Scottish Executive reviewed their Climate Change Programmes. The expansion of organic farming was seen as beneficial because of its non-use of artificial nitrogen fertiliser, the manufacturing of which accounts for 71% of the direct and indirect energy used in agriculture.

3 ORGANIC FARMING IN THE UK

IN-CONVERSION LAND AREA INCREASED FOR THE FIRST TIME IN FOUR YEARS TO 87,020 HECTARES

THE NUMBER OF ENQUIRIES MADE TO THE ORGANIC CONVERSION INFORMATION SERVICE INCREASED BY 42% BETWEEN 2004 AND 2005

IT IS ESTIMATED THAT 8.9 MILLION ORGANIC TABLE BIRDS WERE SLAUGHTERED IN 2005, AN INCREASE OF 55% SINCE 2004

SALES OF ORGANIC MILK EXCEED 200 MILLION LITRES AND ARE WORTH £100 MILLION A YEAR

IN 2005, THE FARM GATE VALUE OF ORGANIC MEAT AND POULTRY WAS AN ESTIMATED £129 MILLION, AN INCREASE OF 59% SINCE 2004

Figure 6
**Organically managed land in the UK (hectares)
1997–2006**

(■ fully organic land) (■ in-conversion land)

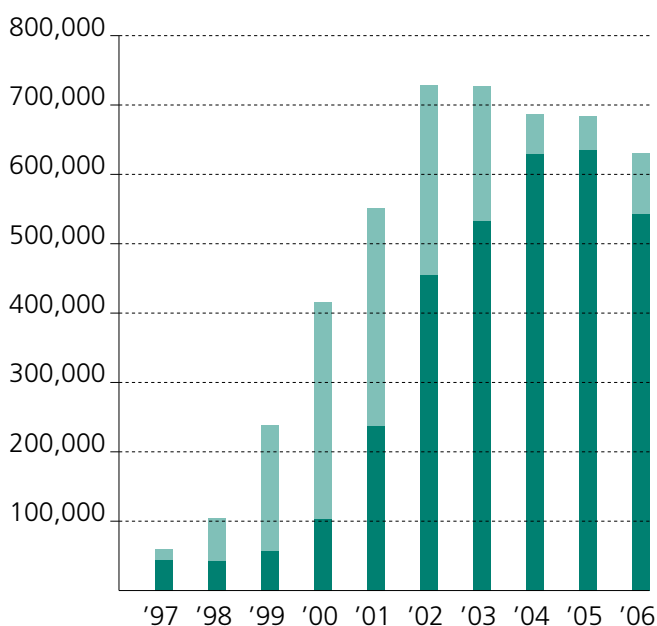
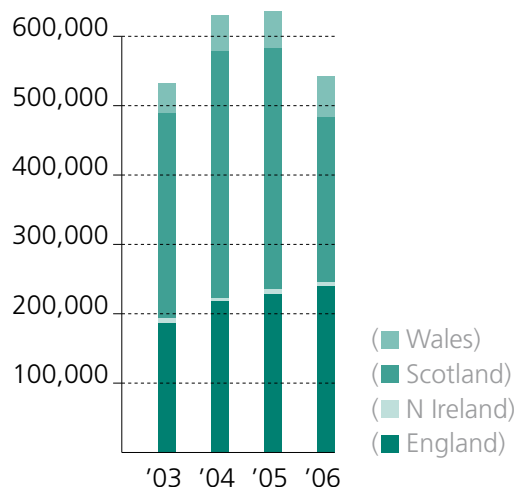


Figure 7
**Fully organic land by country (hectares)
2003–06**



3.1 Organic land area

In January 2006, 631,144 ha of land was managed to organic standards in the UK. Organically managed land now accounts for approximately 3.4% of the UK's total agricultural land area.²⁰ The total area of organically managed land declined by 8% from 686,101 ha in January 2005 to 631,144 ha in January 2006. Within this the area of in-conversion land increased for the first time in four years by 68% to 87,020 ha. In-conversion land now accounts for 14% of the UK's organically managed land area, with all countries in the UK seeing growth in 2005: Scotland (33%), England (85%), Wales (55%) and Northern Ireland (102%) respectively.

Over the same period, the UK's fully organic land area decreased by 14% to 544,124 ha. This can be attributed to a continued decline (-31%) in the area of fully organic land in Scotland as some extensive hill farms chose to withdraw from organic production at the end of their Organic

Aid Scheme agreements. The area of fully organic land increased in England (5%), Wales (6%) and Northern Ireland (24%) in the year to January 2006.

In the year to January 2006, the area of organic grassland in the UK declined by 15% as large upland farms, predominantly in Scotland, continued to withdraw from organic production. In total, 475,885 ha or 88% of the UK's fully organic land was grassland. The area of land under horticultural production increased by 10.5% to 8,521 ha in January 2006, despite a 4% decline in the area of potatoes. The area of land under arable production decreased by 7% to 47,428 ha in January 2006, although the proportion of organic land under arable crops remained relatively stable at just over 8%. The area of organic woodland declined by 36% from 5,219 ha in January 2005 to 3,357 ha in January 2006 (this may be attributable to changes in the recording process rather than an actual decline in area). There are 3,534 ha of woodland in-conversion and the area of organic fodder and silage crops increased by 2% to 6,024 ha.

Figure 8
Number of registered organic producers 2003–06

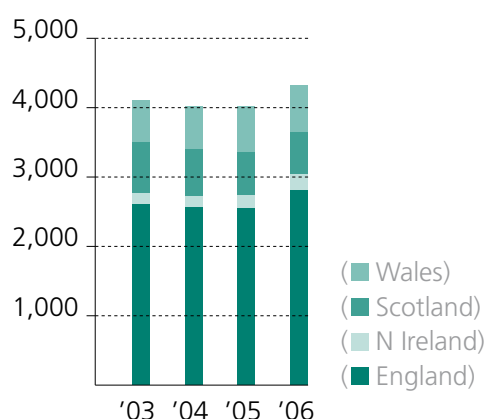


Table 2
Organically managed land in the UK 2003–06

2003	In-conversion	Organic	Total
Hectares	192,100	534,300	726,400
% of organic land	26	74	
2004			
Hectares	58,074	630,299	688,373
% of organic land	8	92	
2005			
Hectares	51,879	634,222	686,101
% of organic land	8	92	
2006			
Hectares	87,020	544,124	631,144
% of organic land	14	86	
Annual change	67.7	-14.2	-8

In January 2006 there were 4,343 organic producers in the UK, an annual increase of 8%. All countries saw an increase in the number of organic producers, England (10%), Northern Ireland (24%), Scotland (0.6%) and Wales (6%). Organic holdings now represent an estimated 1.4% of all farms in the UK.²¹

The average organic farm size in the UK has fallen from 171 ha in January 2005 to 146 ha in January 2006. This fall is primarily due to a decline in the size of organic holdings in Scotland, as large hill farms continue to withdraw from organic production. In England, Northern Ireland and Wales the average organic farm size continued to increase.

The number of enquiries made to the Organic Conversion Information Service (OCIS) in England and Wales increased by 42% from 473 in 2004 to 895 in 2005. The increase in enquiries can be attributed to factors such as the introduction of the Single Payment Scheme, the introduction of the Organic Entry Level Scheme and strong market signals. Just over a third (35%) of these enquiries were from beef producers, 31% were from sheep producers, 15% from arable producers, 6% from horticultural producers, 5% from dairy, 5% from poultry and 3% from pig producers. Assuming that

market conditions remain favourable, it is likely that the increase in the number of OCIS enquiries, particularly from beef and sheep producers, will result in a continued increase in the area of land entering organic production in 2006/07.

3.2 Arable production

The area of fully organic arable land decreased by 7% from 51,234 ha in January 2005 to 47,428 ha in January 2006. In most cases the decline in cropped areas can be explained by rotational changes, as small adjustments in cropping can lead to fairly large percentage changes in organic land area. In total 15,032 ha of arable land was in-conversion in January 2006.

Throughout spring 2005, the market price for cereals increased steadily and an under-supply of home-grown organic grain resulted once again in reliance on imports ahead of harvest. In the autumn, demand for organic feed crops increased largely due to demand from the organic dairy and poultry sectors. Organic cereal prices also rose throughout the year, a trend that is likely to continue until harvest 2006 at least.

Table 3

Fully organic farmed area (hectares) in the UK by enterprise 2004–06

	2004		2005		2006		% annual change
	%	hectares	%	hectares	%	hectares	
Permanent pasture	76.8	483,905	75.8	481,044	72.3	393,318	-18.2
Temporary ley	12.2	76,969	12.7	80,612	15.2	82,567	2.4
<i>Total grassland</i>	89	560,874	88.6	561,656	87.5	475,885	-15.3
Fruit, vegetables, salads & herbs	0.9	5,688	0.9	5,825	1.2	6,716	15.3
Potatoes	0.3	1,689	0.3	1,886	0.3	1,805	-4.3
<i>Total horticulture</i>	1.2	7,377	1.2	7,711	1.6	8,522	10.5
Arable	7.7	48,494	8.1	51,234	8.7	47,428	-7.4
Woodland	0.7	4,186	0.8	5,219	0.6	3,357	-35.7
Fodder, silage and other crops	0.9	5,826	0.9	5,903	1.1	6,024	2.1
Unknown	0.5	3,541	0.4	2,500	0.5	2,909	16.4
<i>Total</i>		630,298		634,223		544,124	-14.2

Note: Poor data quality may have led to subjective classification of organic crops in some cases. As a consequence there has been an increase in the 2006 'unknown' and 'non-cropping' categories.

Changes in the rules governing the formulation of organic animal feeds were expected to result in a considerable increase in demand for raw materials during the 2005/06 season. However, the EU Commission failed to clarify the new rules until July 2005, stifling feed purchasing ahead of harvest as livestock farmers and feed manufacturers awaited clarification of the new feed regime. This delay prevented any significant forward selling of crops and, once harvested, prices for organic barley, oats and beans immediately traded at 10–15% above the previous season. Feed wheat took slightly longer to respond, but prices improved by 10% pre-Christmas and into 2006.

The effect of de-coupling subsidy payments from production through the SPS had a significant impact on organic combinable crop production. Many mixed farms have opted to produce only what they needed to meet their on-farm feeding requirements having been affected by grain price pressures in 2003 and 2004.

In 2005, the organic arable sector was at its most buoyant for several years; this is likely to continue for the next season or two due to strong demand and increased interest in UK sourcing. However, it is

extremely important that organic arable producers focus on crops and varieties that meet market requirements.

3.3 Horticultural production

Note: Green vegetables, salads and protected crops include a category of 'unknown vegetables', due to the specific vegetable not being recorded. Trends suggest the majority of the unknown vegetable area is within the green vegetables, salads and protected crops category.

The area of organic land under horticultural production increased by 10.5% from 7,711 ha in January 2005 to 8,522 ha in January 2006. There were increases in the area of alliums and root vegetables (6%), green vegetables, salads and protected crops (12%), flowers and ornamentals (46%), fruit and nuts (6%) and herbs, with a notably high increase for the second consecutive year (137%). However there were decreases in the area of potatoes (-4%) over the same period.

Vegetables

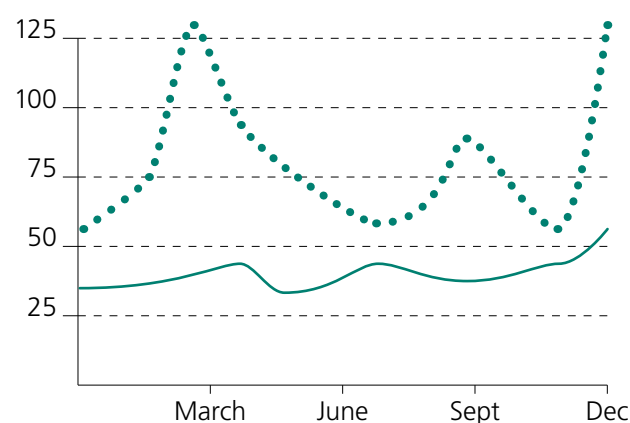
During 2005 there was an increase in the organic vegetable market (14% by volume) through most

Table 4
Average organic farm size (hectares) UK 2004–06

	2004	2005	2006
England	98	101	104
Northern Ireland	150	38	44
Scotland	543	564	402
Wales	94	101	107
<i>Total</i>	171	171	146

Figure 9
Number of OCIS enquiries England and Wales (2004/05 and 2005/06)

(— 04/05) (••• 05/06)



outlets, although the highest growth rates were reported in the wholesale and direct sectors. The area of land under organic vegetable production increased by 5.4% between January 2005 (5,917 ha) and January 2006 (6,236 ha).

The pre-pack sector continues to dominate the market, where a sales growth of 14% was reported.²² Of the multiple retailers, Tesco accounted for the largest sales share of fresh organic produce, followed by Sainsbury's and Waitrose. The biggest value growth was from Marks & Spencer, where sales increased by 54% since 2004. The growth is primarily due to organic consumers purchasing organic fruit and vegetables more frequently, as well as more people buying organic produce for the first time. Average purchasing frequency is currently once every seven weeks.²²

Packaging has become an increasingly important issue in the multiple retail sector, with 95% of organic fruit and vegetables sold in pre-packed form, compared to 60% of non-organic produce.²²

At the retail level the price of organic horticultural crops increased by 1.9%. However, at the farm level continued reports of downward price pressures and higher specifications are a concern. These were most severe in the pre-pack sector and thought to originate from competition between multiple retailers. Imports were also putting pressure on prices. Low prices offered to growers supplying

the pre-pack sector and a lack of long-term commitments and contracts were reportedly threatening the economic viability and stability of organic vegetable production. Some growers were therefore reluctant to invest in converting new land.

In 2005, the wholesale and direct sales sectors reported the highest growth rates, with over 30% growth in some areas. The growth has been driven by the expansion of several very large box schemes, which has provided opportunities for growers and wholesalers, with a knock on benefit for smaller direct sellers. In addition several pre-packers have begun to sell to independent outlets, as well as the multiple retailers. The result is an increasingly complex market structure. The direct sales market requires the growing of a wide range of crops, an extension of the growing season, and often an increased emphasis on quality straight from the field.

There are suggestions that UK land area has not increased sufficiently to fulfil market expansion, leading to a potential shortage of UK organic vegetables and increased reliance on imports. Currently, 403 ha are in-conversion to organic vegetable production although greater production could be generated with land transfers from other organic sectors and the integration of vegetable production on mixed farms. In the past, produce shortages did not generally lead to higher prices. However, in 2005 a shortage of winter cauliflowers resulted in higher prices in some instances.

Table 5
**Fully organic arable production
(hectares) in the UK 2004–06**

	2004	2005	2006	% annual change
Barley	7,638	8,344	7,734	-7
Maize	579	287	270	-6
Oats	7,136	7,219	5,764	-20
Oil crops	343	254	414	63
Peas/beans	7,271	6,742	6,172	-8
Rye	475	452	314	-31
Set-aside	4,789	4,633	2,379	-49
Sugar beet	384	548	109	-80
Triticale	3,030	3,097	3,034	-2
Wheat	16,027	18,563	19,502	5
Not specified	823	1,094	1,735	59
Total	48,495	51,233	47,428	-7

Table 6*
Estimated organic arable crop prices 2005

	£/tonne		£/tonne
Wheat feed	130–140	Oats	90–115
Wheat milling	140–170	Peas	160–170
Barely feed	110–120+	Beans	130–150
Barely malting	150–160	Lupins	180–230
Triticale	120–135		

*Tables 6 and 8: These are average prices for products that meet market specifications. Prices reflect seasonal highs and lows. Prices are collected from a range of direct, wholesale and contracted markets and serve as a guide only.

Note: information is not based on the Defra funded study of the UK Organic Vegetable Market as in previous years, but has been estimated from organic vegetable growers, pre-packers, wholesalers and direct sellers.

Fruit

In the UK, the retail market for organic fruit was worth an estimated £236 million in 2005. Approximately 10% of this fruit was produced in the UK (by value). However, the majority (approximately 70%) comprises tropical and citrus fruit, which cannot be grown in this country.

It is estimated that the market for organic fruit increased by 8.5% between 2004/05 and 2005/06.²² The market for soft fruit increased by 23%, citrus 12% and tropical fruit 14%, compared to top fruit apples (6%) and pears (-8%). Retail prices of organic fruit increased by 10% for soft fruit and 3% for pears.

UK grown fruit

In January 2006, 1,580 ha of organic fruit was grown in the UK, an increase of 6% since January 2005. It is estimated that UK organic fruit has a farm gate value of £8.3 million and a retail value of £21.5 million.

The 2005 season was reasonably good for both top and soft fruit growers. The top fruit sector benefited from adequate amounts of rainfall in

the summer and a reasonably warm, dry spell during the September harvest. As usual, the soft fruit season was very much dictated by the weather, with hot sunny conditions helping boost sales, as well as ensuring a good harvest. Showery rainfalls during fruit-ripening and at harvest in June and July undoubtedly led to a lot of spoiled soft fruit, although those using protected cropping would have achieved higher yields and better fruit quality.

Top fruit sector

It is estimated that UK growers supply approximately 12% of the total market for organic fresh apples and 50% of the organic apple juice market. Other UK grown organic fruits account for approximately 3–4% of each respective crop's total market. Stringent specifications for fruit size and appearance continue to be a major factor in grower reluctance to produce organic fruit for the multiple retail sector. However, a recent Defra-funded HortLINK project identified suitable dessert varieties which are reasonably resistant to pest and diseases and relatively consistent in their cropping. These could be grown to supply UK multiples but the varieties need to be trialled on a larger scale before being recommended to growers. Most of the organic top fruit sold by UK multiple retailers continues to be supplied from overseas, where climate, lower disease pressure and different rules governing the use of permitted plant protection products put exporting countries at a distinct advantage over UK producers.

Table 7

Organic horticultural production (hectares) in the UK 2003–06

	2003	2004	2005	2006	% annual change
Alliums and root vegetables	1,588	2,131	1,532	1,625	6
Potatoes	1,860	1,689	1,886	1,805	-4
Green vegetables, salads and protected crops	1,598	2,050	2,499	2,805	12
Fruit	1,755	1,319	1,487	1,580	6
Herbs	86	86	285	675	137
Flowers and ornamentals	146	34	21	31	46
Seed production	50	68	—	—	—
Total	7,083	7,377	7,711	8,522	10.5

Table 8*

Estimated organic horticultural crop prices 2005

	£/tonne
Potatoes	210–320
Carrots	290–550
Onions	370–450
Leeks	840–1700
Cabbage	350–500
Broccoli	1200–1900
Apple	1000–1300
	<i>per head</i>
Cauliflower	34–55p
Lettuce	55–70p

Soft fruit sector

Strawberry production continues to dominate soft fruit production in the UK, and the area is expanding annually. Many small-scale producers are diversifying into soft fruit production, although several larger-scale growers have also expanded their acreage. The demand for organic soft fruit continues to grow at a faster rate than top fruit, with increasing quantities going for processing.

Many organic producers supplying box schemes are also keen to include UK-grown fruit in their deliveries. New varieties of strawberry are emerging all the time, many of which offer more scope for organic producers in terms of disease resistance or tolerance. However, 80% of non-organic berries sold by the multiple retailers consist of the variety Elsanta, which is unsuitable for organic production.

Sales of both non-organic and organic soft fruit have benefited from recent health promotions and celebrity endorsement, although negative publicity over polytunnel use has tarnished the reputation of the non-organic soft fruit sector (this may also impact on organic producers who use protected production). In the future, increasing fuel and water costs are also likely to impact on producers, especially those who grow strawberries under protection on a large scale.

3.4 Seed usage

Arable seed

In 2005, the availability of, and demand for, organic arable crop seeds increased, although approximately 20–30% of organic arable crops are currently grown from home saved seed. The sector is expanding and supplies of organic seed for some species, such as oats, were exhausted in 2005 leading to the issuing of derogations (allowances to use non-organic seed) in many cases. The number of derogations to use non-organic barley seed reduced by 5% with a 40% reduction in the number of derogations given for wheat. In addition, the number of derogations issued for field beans and field peas also declined by 50% and 36% respectively.

Grass seed

Since 2005, producers have been required to use a minimum of 60% organic seed in grass mixtures. Any mixture that did not meet this inclusion rate (for specific agronomic or conservation purposes) required permission from a certification body before purchase. At present, a range of mainly perennial rye grass varieties, which are cheaper than most other species, are generally used to make up the organic content. Demand for organic grass and clover seed is increasing as more livestock and

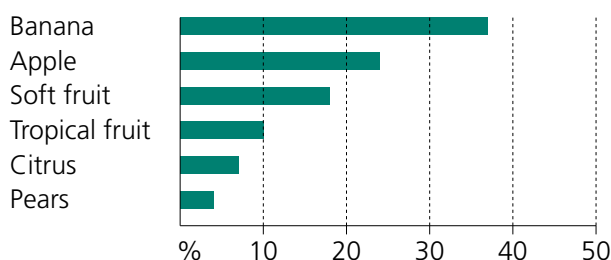
Table 9

Fully organic vegetable and potato production (hectares) in the UK 2003–06

	2003	2004	2005	2006	% annual change
Potatoes	1,860	1,689	1,886	1,805	-4.3
Vegetables	3,186	4,181	4,031	4,431	9.9
<i>Total</i>	5,046	5,870	5,917	6,236	5.4

Figure 10

The organic fruit market by type 2006



arable farms convert to organic production. As in 2004, the number of derogations issued for red and white clover increased by 56% and 19%, respectively. This indicates a continuing shortage of organic clover seed that must be addressed.

Horticultural seed

Demand for alliums and root vegetables continues to grow. Many small horticultural units are either increasing production or converting new land, creating seed shortages. This is forcing producers to seek derogations to use non-organic seed in many cases.

The availability of organic green vegetable, salad and protected crops seed has become increasingly polarised. Some species have excellent availability with a good range of varieties, while other species are in short supply with little choice in variety. Due to the large number of different vegetables and different varieties, seed companies require a commercial incentive in order to research and provide new organic varieties. Where markets are small this continues to be a significant barrier preventing increased organic seed usage.

The salad market is very dynamic. Varieties of lettuce frequently come and go; for example, demand for iceberg lettuce continues to fall, while demand for Italian varieties is on the increase.

Organic herb production continues to increase with growing interest from non-organic growers. Seed availability depends very much on species; for example, in 2005 38 derogations were granted for basil, but only two for thyme.

High demand for organic fruit is stimulating interest in organic top and soft fruit production. There are now six certified organic nurseries selling organic whips and bushes. Derogations tend to be given where specific varieties that are not available organically are required. It is likely that as demand continues to increase, the number of derogations will fall as new varieties bred specifically for organic systems become available.

Producers have been required to use 100% organic potato seed since 2004. Derogations for potato seed are available but only to trial new varieties on a small scale and for preserving heritage types. Due to the 100% organic seed requirement there is no allowance in the regulation to allow derogations based on seed quality. This has raised some issues with growers who continue to have concerns about diseases such as black scurf (*Rhizoctonia solani*) in some varieties. In 2005, the Organic Seed Working Group held discussions about the introduction of a voluntary code on the permissible level of disease for seed producers. However, it is unlikely that an agreement will be reached in the near future.

Table 10

Breakdown of UK organic fruit area and farm gate value (£) 2005/06

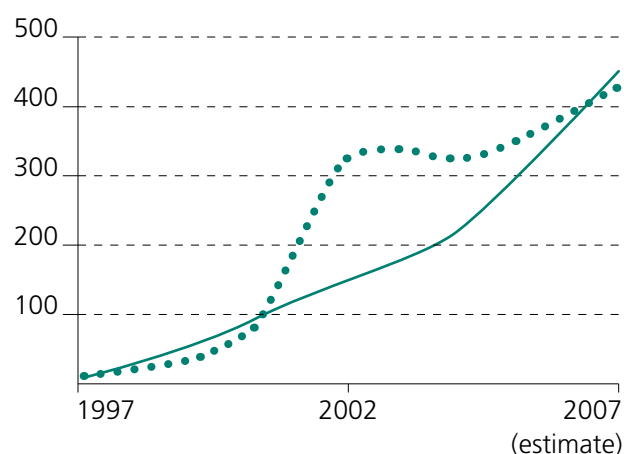
Top fruit	Tonnes	£
Dessert apples	1,950	2,030,000
Cider and processing apples	4,038	1,279,800
Pears	333	366,000
Cherries	60	217,500
Plums	90	241,000
Other	60	174,000
Total	6,531	3,872,400
Soft fruit		
Strawberries	575	1,725,000
Raspberries and cane fruit	210	630,000
Bush fruit	370	1,110,000
Other	425	1,275,000
Total	1,580	4,410,000

Figure 11

Demand and production of UK organic milk (millions of litres) 1997–2007²⁷

(— demand for milk)

(••• volume of milk produced)



Note: It is possible for derogations to increase while the consumption of organic seed is also increasing. Readers should refer to the UK Annual Derogation Report 2005 at www.organicxseeds.co.uk for more information.

3.5 Milk production

During 2005, there was a significant increase in organic liquid milk sales, leading to a shortage in supply during the winter of 2005 and spring of 2006. Sales of organic liquid milk exceeded 200 million litres and are now worth approximately £100 million a year.

Growth in the organic dairy market can be attributed to a number of PR activities linked to new emerging research, and media attention into the animal welfare and food quality aspects of industrial food production. The Organic Milk Suppliers Co-operative's (OMSCo) marketing campaign consistently promoted the benefits of organic milk by undertaking research into milk attributes and potential health benefits, and marketing the findings on behalf of the industry. In early 2005, further PR activity was undertaken surrounding research studies into the higher Omega 3, vitamin and antioxidant content of organic milk. This generated a direct and substantial increase in sales. The Channel 4 Dispatches programme 'Supermarket Secrets', which aired in August 2005, also had a considerable impact on sales exposing intensive dairy farming practices in the UK and highlighting the health claims relating to organic milk.

Two thirds of all organic milk produced in the UK is sold as liquid milk and this is now the largest growing sector of the industry. Sales of organic liquid milk had grown consistently at 30% a year up to 2004/05, but have since accelerated dramatically. In the 12 weeks to November 2005, year on year sales increased by 91%. Overall demand for organic raw milk is expected to grow

at 25% a year for the foreseeable future and this increase in growth has led to supply problems. The retail liquid milk market demands consistent quantities throughout the year. However, the seasonal nature of organic milk production has led to shortages in late winter, and this will continue to be a problem for the industry unless farmers are offered greater incentives to produce winter milk. In 2005, ex-farm prices rose considerably, but increased feed costs and the long winter meant much of this benefit was lost to the producer. It is clear that, as feed standards continue to increase over the next 18 months, prices will need to improve – especially during the winter – to ensure that an adequate supply of organic milk is supplied year round. Any shortfall will inevitably be met by imported powder for processing and imported liquid milk, with attendant costs and risk. Imports are relatively expensive compared with UK organic milk and do not meet consumer preference for locally produced milk.

Demand is expected to continue to increase and this will require the conversion of more dairy farms into organic production. However, the key to stability will be to encourage planned increases in supply from existing producers in the short term, with, in the longer term, increased supply from those in conversion – something the independent milk groups through the Federation of Organic Milk Groups are working hard to achieve. Securing future growth, both from existing and newly converting farms, will come from viable farm gate returns and confidence through long term trading relationships. The number of new conversions required must be planned against the background of what remains a finely balanced market. More than 75–100 farm conversions could easily tip supply from balance back to unsustainable overproduction. It is essential that converting producers receive adequate support and that they secure a supply contract before starting conversion. The farmer-controlled milk groups, including OMSCo, Calon Wen, DFB, Milk Link

and First Milk via the Federation of Organic Milk Groups provide support and guidance, as well as a strong producer influence in the market.

3.6 Egg production

Throughout 2005, the market for organic eggs continued to grow. Towards the end of the year both small and large egg packers were struggling to meet demand and packers selling to the multiple retailers were under pressure to increase supply in order to meet projected demand for 2006. The multiple retailers maintain more than 80% of the market for organic eggs. Individual retailers have reported year on year growth up to 25%. Overall, organic eggs currently account for 6% of total egg sales within the multiple retailers. The market is growing at an average of 6% a year.²⁵

In the summer of 2005, producers and packers had to cope with the fall-out of a price war between three of the major multiple retailers. One retailer cut the price of organic eggs, resulting in price cuts across two other retailers. This was reflected in the reduced farm gate price paid to many producers.

The EU commitment to end derogations has continued to increase production costs. From August 2005, the permitted level of non-organic ingredients in organic layer diets was reduced from 20% to 15%. It was estimated that this would result in an immediate increase in feed costs for producers of £7–£8 a tonne. However, the requirement to use organic ingredients in preference to non-organic, where available, means that many of the rations used will now have an organic content greater than 85% and, in reality, the price differential may be as much as £20 a tonne.

In early 2005 the EU announced that after 31 December 2005 all non-organic pullets destined for organic flocks must be reared to organic feed and veterinary standards from day old. This caused

confusion among rearers, organic certification bodies and producers. Concerns that non-organic pullet rearers might be unwilling to produce these 'half-organic' pullets sparked predictions of a shortage, as producers who were unable to comply would have had to withdraw from organic production. The additional cost of these pullets is estimated to be in the region of £1.20–£1.50 a bird.

The birds still have to go through a six week feed conversion period once they arrive on an organic farm. However, despite increased production costs this requirement moves the organic egg sector closer to the goal of fully organic pullets. It also goes some way towards reducing the disparity of production costs between producers using certified organic pullets and those using organically fed (but still technically non-organic) pullets.

In 2006, concerns over avian influenza may have an impact on the development of the market. There are two aspects to this: firstly, in countries where there have been confirmed cases of avian influenza the consumption of poultry products has dropped by up to 70% (Italy) and 40% (France). The second issue is producer confidence. Although the UK organic market is currently under-supplied and demand looks set to increase, producers may be unwilling or unable to make the investment into organic production while avian influenza dominates the headlines.

3.7 Aquaculture

Salmon

In 2005, 2,800 tonnes of organic salmon was harvested in Scotland and 250 tonnes in Northern Ireland. The farm gate value of organic salmon increased by almost 50% from £6.8 million in 2004 to £10.1 million in 2005. The average price received for organic salmon has also increased steadily from £2.40/kg in 2003 to £3.00/kg in 2005.

Table 11*

Estimated organic egg prices 2005

	p/dozen
Contract	116–145
Retail	250–300

**These are average prices for products that meet market specifications. Prices reflect seasonal highs and lows. Prices are collected from a range of direct, wholesale and contracted markets and serve as a guide only.*

During 2005, seven new salmon farms, mostly in the Shetland Isles, converted to organic production. These farms only harvested 200 tonnes before the end of the year. However, with a full harvest from these farms in 2006 production figures should increase dramatically. The majority of UK produced organic salmon are sold fresh or smoked within the UK, although there is also strong demand from wholesalers in Germany and France.

Trout

Since the conversion of a new trout farm in Scotland, UK production of organic trout has increased by 44% from 320 tonnes in 2004/05 to approximately 460 tonnes in 2005/06. The market remains strong, with producers receiving as much as £9.75/kg through direct sales.

Cod

The first cod farm achieved organic status in July 2005 and trial harvests of organic cod have been conducted. Initial harvests were low, but in 2006 the farm expects to harvest 2,000 tonnes of organic cod. Demand from caterers and retailers is very high and the fish are sold in the UK and the USA. In 2006, Tesco became the first multiple to stock organic cod.



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3.8 Meat production

Beef production

In 2005, 27,358 organic beef cattle were slaughtered, with an estimated farm gate value of £19.7 million representing a 44% increase on the previous year.

At the start of 2005, demand for UK organic beef was quite static. Organic beef was being imported in volume by a small number of key processors. Although UK cattle were finding routes into the market, imports were heavily influencing the price. For the first part of the year there were no reported shortages of cattle and Argentinean organic beef was filling retail demand. To keep trade moving some cattle were sold at lower than average prices (down to around £2.25/kg) causing concern that prices had fallen below the cost of production.

Towards the end of the year doubts began to emerge over the future security of Argentinean beef and Tesco (other retailers were sourcing mainly UK organic beef already) moved towards preferential sourcing of UK beef. This led to much stronger demand, a shortfall in supply, and a gradual increase in the farm gate price for organic beef to approximately £2.65/kg. By the end of the year, most multiple retailers were developing systems for forward contracting of organic beef. This raised issues over the real costs of production and the lack of completed benchmarking of costs and production levels.

The introduction of the Single Payment Scheme (SPS) and the ending of retention periods associated with the old subsidy scheme led to more animals being sold in the summer than would have been the case in previous years. This was a key factor which caused the price to drop from an average of £2.50/kg, that had been available since ABP took

Table 12*

Estimated organic meat prices 2005

	p/kg dw	Chicken	
Beef	220–265	Contract	130p/bird
Lamb	275–300	Retail	500+ p/kg
Pork	190–200		

*These are average prices for products that meet market specifications. Prices reflect seasonal highs and lows. Prices are collected from a range of direct, wholesale and contracted markets and serve as a guide only.

over the Sainsbury's contract in 2004, to £2.30/kg. In addition, in hot weather less mince and diced meat is sold making carcass balance problematic.

The introduction of the SPS should have led to greater parity between store prices for steers and heifers. Steers traditionally receive a higher price than heifers because of the subsidy that would be paid on them. At the beginning of 2005 it seemed as if many farmers had forgotten that this subsidy had been removed and there was still a big gap between the two. Heifers were selling for £1.00–£1.25/kg live weight and steers for £1.25–£1.40/kg. This difference was smaller towards the end of the year but there was still a greater gap than might have been expected. There was strong demand for stores throughout the year and several licensed organic markets were held with buyers travelling long distances to buy large numbers of animals at one time.

In November 2005, the Over Thirty-Month Scheme (OTMS) finally came to an end and it once again became possible for older animals to enter the food chain. Abattoirs have to agree a Required Method of Operation with the Meat Hygiene Service (MHS) and all OTM carcasses must be BSE tested before being released into the food chain. The abattoir also has to demonstrate that suitable and secure facilities are available to retain the carcass body parts, including hide, blood, and by-products, under official control until the test results are received. OTM animals must also be kept separate from animals under 30 months.

A number of abattoirs went through this procedure in time for the lifting of the OTMS, and others have continued to do so. However, options for organic producers, particularly those using smaller abattoirs for direct sales, are still limited. For abattoirs that have both organic certification and

a licence to slaughter OTM cattle, the issues of separation both for organic and OTM make handling organic OTM carcasses difficult logistically, and at the end of the year only one abattoir was prepared to take these animals. A further disincentive for smaller abattoirs is that if an OTM cattle is found to have positive or even inconclusive tests, the animals either side of it on the line must be disposed of at the abattoir's cost. This situation is unfortunate as many organic producers hope to produce forage-reared beef from native breeds, which may take more than 30 months to finish.

The OTMS was lifted as part of the re-introduction of the UK's ability to export beef. This has resulted in the harmonisation of UK regulations with those in the EU. Until recently EU legislation required animals over 12 months old to be de-boned prior to sale. This has now been extended to 24 months and the UK must comply with this in order to export beef. As a consequence, the vertebrae from cattle aged over 24 months is considered a Specified Risk Material (SRM) and the initial suggestion was that this would have to be removed in a licensed cutting plant. This would have caused huge problems for those with on-farm butcheries and for butchers' shops, as beef would have had to have the vertebral column removed before leaving the cutting plant. Many on-farm butcheries were set up because cutting plants were not available or not willing to hang and butcher organic meat. After pressure from the organic sector the FSA have agreed to operate a derogation that is available in Europe allowing premises under the control of the local Environmental Health Officers (EHO), such as butchers' shops and on-farm premises, to remove the vertebral column. However, this will still have to be disposed of as SRM, which will increase costs, and the butchers will have to agree protocols with the EHO.

Table 13

Estimated production (head) and farm-gate value (£m) of organic livestock in the UK 2003–05

	2003/04		2004		2005		annual change	
	head	£m	head	£m	head	£m	%	£m
Beef	18,500	12.4	19,284	13.7	27,358	19.7	41.9	43.8
Lamb	150,000	7.9	158,912	9.4	205,238	12.3	29.2	30.9
Pork	50,000	7.9	47,000	6.8	56,487	8.3	20.2	22.1
Table birds	4,250,000	21.3	5,744,804	51.7	8,905,785	89.1	55.0	72.3

Lamb production

In 2005, an estimated 205,238 organic lambs were slaughtered, a 29% increase on the previous year, with a farm gate value of £12.3 million.

In January 2005, the lamb market was largely stable with few backlogs or shortages. However, some abattoirs reported that a number of animals were not meeting the required weights and grades, highlighting the need to regularly handle and weigh lambs. Late spring and early summer brought the usual shortages and associated price rises. Processors have generally imported to cover this period, rather than working with marketing groups and farmers to keep lambs back for this time of year. If commitments are in place, producers can lamb early in February to market lamb in May and June, or lamb late and keep hoggets for the January to June period. Both routes incur additional costs to the producer so some price assurance is required from processors before producers will consider this. However, due to the work of key producer groups capitalising on stated commitment to UK sourcing from multiple retailers, there was some movement on this in the later stage of 2005, with hopefully more planned pricing in 2006.

Autumn is traditionally a time of oversupply in the organic lamb market as many lambs are spring born and finished off grass. In 2005, demand was strong and more lambs were moved than in autumn 2004, although prices did drop back to around £2.80/kg. This was mainly due to a reduced price in the non-organic lamb market and issues of carcass balance, which result in a proportion of organic lamb being sold as non-organic. Conversely, the downside of the strong autumn demand was that there were less lambs available for keeping into the winter when supply is traditionally short.

In 2005, changes occurred in the processor base for lamb, with Sainsbury's moving their lamb lines from Lloyd Maunder in Devon to Oriel Jones in west Wales. This resulted in market concerns among many Southwest producers, many of who had developed in line with regional demand from Lloyd Maunder. A new producer group called Caledonian Organics formed in Scotland. They have been working with groups in England to try to integrate the supply of lamb and beef from Scotland into the national market. In the past Scottish production has either come into England in an uncoordinated way, sometimes swamping the market, or has simply been sold as non-organic.

Pork production

In 2005, an estimated 56,487 organic pigs were slaughtered for sale, an increase of 20% since 2004, with a farm gate value of approximately £8.3 million.

At the beginning of 2005 the trade in organic pig meat was problematic, with imported pig meat coming into the UK at lower prices. This was due to the differing organic standards across the UK and the fact that under the EU regulation there is no requirement for organic pigs to be in a free-range system, after weaning. Growing pigs are kept in straw barn systems with access to an outdoor run rather than being free-range. These systems are considerably cheaper to operate than fully free-range organic systems in the UK. As a consequence there has been a strong price incentive for multiple retailers to seek imports and, despite working hard to develop other markets, many UK producers were left with surplus pigs. The reduced numbers being sourced for the main processors meant that pigs were being kept on farm and reaching heavier weights, with greater back fat than specifications required.

In addition, the UK market has a high demand for pork loins but low demand for pork legs. If enough pigs are slaughtered to supply the market for loins then there is an excess of pork legs that cannot be sold. The issue of carcass balance is a problem for both the organic and the non-organic market. However, the scale of the non-organic market allows legs to be exported to other countries.

In late 2005, the multiple retailers showed more commitment to sourcing UK organic pork. However, by this time, many producers had either established direct sales routes or had cut back their sow numbers so supply met demand. The problem is how to maintain interest in UK pork products while supply is increased. Producers are understandably wary of committing to speculative increases, as in the past the market for extra pigs has been reduced or absent by the time pigs were fit for sale. If the multiple retailers could offer some long-term contracts and commitments it would help to build trust within the supply network.

The multiple retailers are marketing pork in two ways – at the bottom end of the market are the 'value' products, and at the top end of the market are the free-range and organic products. Consumer awareness must be raised about the differences between indoor, free-range and organic

pig production. However, this is made more difficult as there is no legal definition of 'free-range' or 'outdoor' when applied to pork. Much of the 'outdoor' pork comes from pigs that have only been outside for a maximum of half of their lives.

Poultry production

In 2005, an estimated 8.9 million birds were slaughtered, an increase of 55% since 2004, with a farm gate value of approximately £89 million. The organic poultry sector continues to grow with many producers selling successfully through the multiple retailers, while direct sales outlets have been struggling to meet demand. In 2005, some retailers and processors reported a 35–40% increase in demand for organic poultry. In spring 2005, the Dispatches TV programme 'Supermarket Secrets' investigated bird welfare and food quality implications of modern, intensive poultry production (and showed some alarming pictures of intensive broiler systems). This prompted an immediate and lasting increase in sales, in particular through the multiple retailers.

In August 2005, the proportion of non-organic ingredients permitted in organic poultry rations was reduced from 20% to 15%. While this was not as large a reduction as expected, the impact on production costs has been significant. The requirement to use organic ingredients in preference to non-organic, where available, means that in practice many of the rations have an organic content of greater than 85% organic. These rations cost £20/tonne more than the previously allowed 80% organic ration, which amounts to an increase in production costs of around 14p/bird. The allowance for 15% non-organic ingredients is in place until December 2007 when it will drop to 10%, with the aim of having 100% organic diets by January 2012. A shortage of organic chicks in some areas, and gradual development of organic chick programmes for some larger poultry chains, has meant that many organic producers are still using non-organic chicks. This perpetuates the disparity in production costs between producers. The availability of organic chicks is increasing slowly, but uncertainty over the end date for the derogation and the difference in the interpretation and enforcement of the rules between certification bodies is hindering the development of the market.

In 2005, sales of organic ducks, geese and turkeys also increased. These birds are mainly supplied through direct sales markets, and producers selling

these 'speciality' birds report strong demand throughout the year for duck, and seasonally for geese and turkeys. The multiple retail trade is very seasonal with a relatively small number of ducks and geese sold at Christmas.

2006 will undoubtedly be a difficult year for the organic table bird sector as it struggles to deal with the issues surrounding avian influenza. The current market is under-supplied and there is a significant growth potential through multiple retail outlets and direct sale. However, ongoing market growth relies on confidence at all points in the supply network and is ultimately dependent on the industry maintaining consumer confidence in UK produced organic poultry. There are many challenges facing producers in the year ahead but the indications are that growth will continue.

3.9 Organic farm incomes

The latest financial results for organic farms in England and Wales from a four year Defra funded study show mixed results for key farm types for the financial years 2002/03 and 2003/04. Using Farm Business Survey methodology, financial data was recorded from organic cropping, horticulture (arable/field vegetable and intensive horticulture), lowland and less favoured area (LFA) dairy, lowland and LFA cattle and sheep, and mixed farms. An identical set of farms was used for between years comparisons. In addition, clusters of non-organic farms are matched to each organic farm in the survey for further comparison.

Financial data from 138 organic farms were recorded in 2003/04 (Table 14, overleaf). For the 2003/04 financial year, the results for organic farms vary between farm types, although most indicate relatively low incomes on a net farm income basis. In particular, net farm income from the organic LFA dairy and lowland cattle and sheep farm types did not cover the value of the farmers' own labour, giving negative management and investment incomes. However, it is not just organic farmers achieving low incomes: when results for an identical sample of farms in 2002/03 and 2003/04 are compared (Figure 12, overleaf), all farm types achieved better financial performance than comparable non-organic farms.

Some improvement in average net farm incomes was apparent for all farm types under organic

management, with the exception of the arable/field vegetable group between 2002/03 and 2003/04, whose incomes decreased during this period. Dairy farmers, despite a decrease in the average milk price received during this period, were able to maintain and slightly improve net farm incomes.

Cropping farms within the organic farm sample saw net farm income stabilise, albeit at a greater level than their comparable non-organic farms, whereas LFA cattle and sheep farms saw a similar stabilisation of incomes more akin to the comparable non-organic farms. This indicates some of the difficulties that are likely to be faced

by organic cattle and sheep farmers in the upland areas, where the phasing out of the organic feed derogation in 2005/06 will make organic farming in the LFA/upland areas economically challenging.

It should also be noted that the Organic Entry Level Scheme (OELS) does not favour upland extensive farms to the extent that the previous Organic Farming Scheme (OFS) did. The incentives for upland farmers to convert to organic are currently low, both at policy level and, as the FBS suggests, through evidence coming from the farm. Net farm incomes were also low for the organic lowland cattle and sheep farm sample with no significant changes in income levels between 2002/03 and 2003/04.

Table 14

Summary of financial data (£) for different organic farm types 2003/04

	Arable/ Cropping field veg		Hortic.	Dairy LFA	Dairy Lowland	Cattle & sheep LFA Lowland		Mixed
Sample size	18	8	8	7	31	30	21	15
Average farm size (ha)	144.4	314.1	14.7	85.9	121.8	124.9	79.2	107.3
Outputs								
Livestock	39,828	50,116	355	83,491	108,060	22,060	27,006	28,809
Livestock subsidies	5,421	1,523	932	4,630	1,360	12,943	13,569	11,213
Cropping	51,870	400,105	96,953	1,741	8,404	391	3,945	14,692
Cropping subsidies	23,357	32,502	0	0	6,520	209	1,512	7,901
Miscellaneous	13,849	54,338	5,414	6,889	6,467	6,746	6,894	8,632
Agri-env. payments	10,912	19,409	1,806	2,837	4,523	7,621	9,366	6,133
<i>Total</i>	145,236	557,994	105,460	99,588	135,333	49,970	62,293	77,380
Inputs								
Livestock	24,707	46,582	1,721	26,207	35,412	9,910	9,434	7,873
Cropping	11,980	97,152	20,853	1,564	3,894	1,216	1,284	4,337
Labour	13,849	163,610	22,901	11,819	18,506	4,617	5,230	10,793
Machinery	29,792	100,955	15,585	19,160	22,117	9,510	13,198	15,737
General	9,760	46,788	9,728	8,506	10,549	4,602	6,956	7,920
Land and rent	26,622	77,837	5,286	19,233	22,601	8,977	15,584	16,181
<i>Total</i>	116,710	532,924	76,074	86,489	113,078	38,831	51,687	62,840
Net farm income	28,526	25,069	29,386	13,099	23,286	11,139	10,606	14,558
Less farmer/spouse labour	11,017	9,543	15,095	16,701	12,381	9,910	16,336	11,733
Add paid management	694	6,616	0	0	0	104	0	0
Add livestock appreciation	722	195	1	617	881	1,596	1,392	1,389
Management/investment income	18,926	22,338	14,292	-2,985	10,836	2,929	-4,337	4,197

3.10 National and regional developments

In January 2006, 47% (293,262 ha) of the UK's organically managed land was in England, 1.5% (9,549 ha) was in Northern Ireland, 40.5% (255,702 ha) was in Scotland and 11.5% (72,631 ha) was in Wales. In the year to January 2006, Northern Ireland (102%) and England (85%) saw the largest increases in in-conversion land. Within England, the Southwest region has the largest number of organic producers, with 1,162 registered in January 2006. However, it was the Northeast that saw the largest increase in producer numbers: 32% for the second year running. The number of organic producers in

Northern Ireland increased by 24%, Scotland by 0.6% and Wales by 6% over the same period.

England

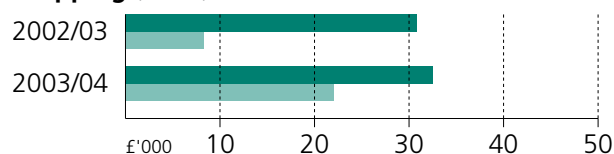
In England the area of land under organic management increased by 14% to 293,262 ha in the year to January 2006. Within this, in-conversion land increased by 85% to 53,276 ha and the area of fully organic land increased by 5% to 239,986 ha. While the Southwest region still retains the largest area of organically managed land and the most organic producers, the Northeast saw the largest increase (26% in organically managed land area and 32% in organic producers) in the year to January 2006.

Figure 12

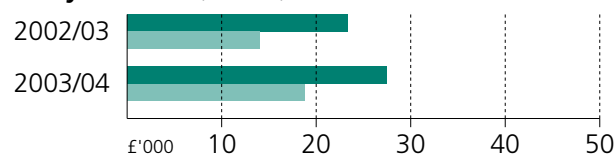
Average net farm incomes (£'000 per farm) for organic and non-organic farms (2002/03 and 2003/04)

(■ organic farm) (■ non-organic farm) (n = number of organic farms within the identical dataset)

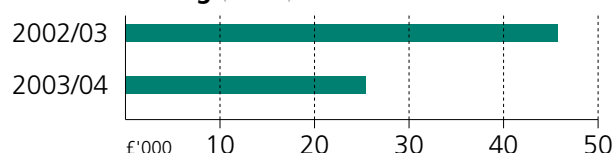
Cropping (n = 8)



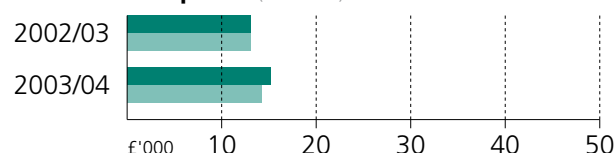
Dairy lowland (n = 22)



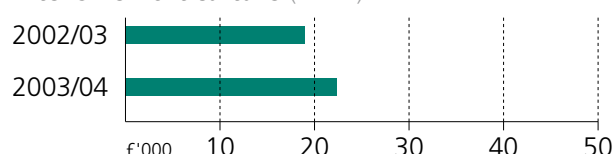
Arable field veg (n = 5)



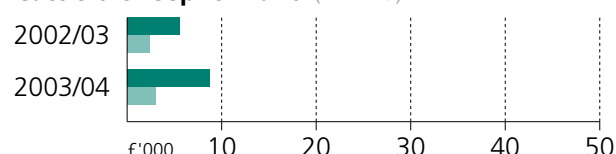
Cattle & sheep LFA (n = 19)



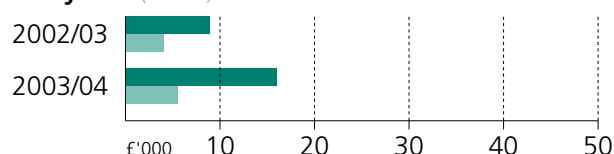
Intensive horticulture (n = 7)



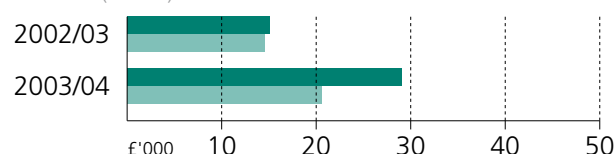
Cattle & sheep lowland (n = 16)



Dairy LFA (n = 5)



Mixed (n = 7)



The Soil Association recognises that there is considerable organic activity in English regions not specifically mentioned in this report. The Northeast, Northwest, Yorkshire and the Southwest are covered in more detail because they have dedicated organic development programmes that enable specific regional intelligence to be collected.

Northeast

In January 2006, there were 103 organic and in-conversion producers in the Northeast region of England, which includes Northumberland, Tyne & Wear, County Durham and Tees Valley. In the year to January 2006, the area of organically managed land in the Northeast increased by 26% to 37,575 ha – faster than any other region in England.

In 2005, there was increased interest in regional organic produce in the Northeast, which led to

the development of farm to retail sales and direct sales of vegetable box schemes, meat boxes and new enterprises, such as organic flour. There was strong demand for poultry and pork, particularly in the direct sales sector. However, a lack of pig units in the Northeast meant that most organic pig meat was sourced from other regions. Demand for organic vegetables continued to increase, leading to a shortage in supply as many vegetable box schemes were operating at full capacity in 2005. Consequently, there are opportunities for new producers to consider organic vegetable production within their crop rotations. However, there is still a lack of vegetable processing facilities in the region, limiting the development of the market.

The introduction of the OELS has resulted in a noticeable increase in conversion enquiries across the region. Since January 2005, 15 new producers have entered organic conversion. Trading links

Table 15

National distribution of organically managed land in the UK 2004–06

England	2004	2005	2006	% annual change	% of UK total
In-conversion	32,474	28,867	53,276	84.6	61.2
Organic	219,081	229,367	239,986	4.6	44.1
<i>Total</i>	251,555	258,234	293,262	13.6	46.5
Northern Ireland					
In-conversion	1,262	1,574	3,181	102.1	3.7
Organic	4,947	5,140	6,368	23.9	1.2
<i>Total</i>	6,209	6,714	9,549	42.2	1.5
Scotland					
In-conversion	16,523	12,490	16,664	33.4	19.2
Organic	356,725	344,274	239,038	-30.6	43.9
<i>Total</i>	373,248	356,764	255,702	-28.3	40.5
Wales					
In-conversion	7,815	8,948	13,899	55.3	16.0
Organic	49,546	55,442	58,732	5.9	10.8
<i>Total</i>	57,361	64,390	72,631	12.8	11.5
UK					
In-conversion	58,074	51,879	87,020	67.7	13.8
Organic	630,299	634,222	544,124	-14.2	86.2
<i>Total</i>	688,373	686,101	631,144	-8	

between producers are gradually developing, with more stores being finished on lowland farms, and forage and feed being bought within the region. Nevertheless there is still considerable room for improvement.

Northwest

In 2005, 170 organic and in-conversion producers were based in Northwest England. In January 2006, there were 22,104 ha of organically managed land, a decline of 2% since January 2005. This is due to a 6% decline in the area of fully organic land, higher than any other region in England. However, the area of in-conversion land increased by 25% to 3,180 ha over the same period.

Throughout 2005 there was an increased interest in organic certification, particularly in the red meat sector among butcheries and abattoirs. In the Northwest, William Taylor and Son (Bamber

Bridge, Lancashire), Junction 38 Partnership in (Tebay, Cumbria) and Ayside Abattoir (High Newton, Cumbria) all applied for organic registration. These applications will enable producers to reduce the distance travelled to an organic abattoir, and to slaughter and sell their meat as organic thereby, raising returns.

The Northwest Organic Centre, in co-operation with Manchester City Council, organised the first Manchester Organic Market in 2005 to help raise awareness of the availability of organic produce in the city. It is now a regular event supported by Manchester Markets on the third weekend of every month. The market has resulted in renewed consumer interest in sourcing organic produce and increased supply chain development between producers and retailers. In addition, the success of the market has created the opportunity to develop organic markets in both Lancaster and Liverpool

Table 16

Number of registered organic and in-conversion producers in the UK 2004–06

England	2004	2005	2006	% annual change	% of UK total
East of England	250	244	254	4.1	5.8
East Midlands	217	212	218	2.8	5.0
Northeast	73	78	103	32.1	2.4
Northwest	165	164	170	3.7	3.9
Southeast and London	406	399	422	5.8	9.7
Southwest	1,007	1,008	1,162	15.3	26.8
West Midlands	320	320	338	5.6	7.8
Yorkshire & Humberside	132	137	140	2.2	3.2
	2,570	2,562	2,807	9.6	64.6
Northern Ireland	150	176	219	24.4	5.0
Scotland	687	632	636	0.6	14.6
Wales	610	640	681	6.4	15.7
<i>Total</i>	4,017	4,010	4,343	8.3	

and thereby increase the availability of organic produce in urban areas.

Southwest

In January 2006, there were 115,074 ha of organically managed land in the Southwest, an annual increase of 16%, and 1,162 organic producers, or 27% of the UK's total. In 2005, the introduction of the OELS resulted in a huge increase in enquires to OCIS which translated into actual conversions to organic management. In-conversion land area increased by 139% in the year to January 2006, faster than any other region of England.

Organic store livestock markets in the Southwest have become focal events for farmers, who use them as a benchmark for livestock prices, and the majority of stock is now sold to organic buyers. In 2005, prices were, on average, 15% higher than non-organic stock.

Organic South West has been working with Cornish producers to supply the Royal Cornwall Hospital with a range of local and organic products. Headway has been made and partnerships created. A certified organic butcher started work with a Cornish producer group, sourcing red meat to develop a range of organic beefburgers and sausages. The success of this product line led to a contract between the butcher and Cornwall NHS, and organic burgers and sausages will be served to patients and staff in

2006. The project was given a boost when planning permission was given for the construction of a new central production unit (CPU). The CPU will have the capability to supply meals to all of Cornwall's NHS hospitals. It will play a significant role in helping the project achieve its targets of 30% organic, 50% local and 75% unprocessed food being served in Cornish hospitals. Additionally in 2006, an organic farm shop opened on the site of the Royal Cornwall Hospital. This will provide patients and staff with access to locally grown organic produce.

The Bath and Northeast Somerset Food for Life pilot moved forward in 2005. The Soil Association continued to build a strong relationship with the Local Education Authority and its 'pilot' schools. As a direct result, local organic vegetables are now appearing on menus when available and in five of the nine schools meal uptake has increased. More of the staff are also choosing to eat in the school canteen.

Yorkshire & Humberside

In 2005, the number of organic and in-conversion producers in Yorkshire and the Humber increased by 2% to 140. In January 2006, there were 10,681 ha of organically managed land in the region, of which 8,568 ha were fully organic.

The introduction of the OELS, combined with increased market demand, resulted in a steady

Table 17

Organically managed land (hectares) in England (January 2006)

	2005	2006	% annual change		2005	2006	% annual change
East of England				Northwest			
In-conversion	2,413	2,602	7.8	In-conversion	2,553	3,180	24.6
Organic	10,254	12,353	27.3	Organic	20,042	18,924	-5.6
<i>Total</i>	12,667	14,955	22.1	<i>Total</i>	22,595	22,104	-2.2
East Midlands				Southeast			
In-conversion	1,154	2,407	108.6	In-conversion	5,447	11,348	108.3
Organic	13,285	13,057	-1.7	Organic	34,887	36,332	4.1
<i>Total</i>	14,439	15,464	7.1	<i>Total</i>	40,334	47,189	17.0
Northeast				Southwest			
In-conversion	4,573	6,832	49.4	In-conversion	9,077	21,670	138.7
Organic	25,354	30,743	21.3	Organic	90,320	93,404	3.4
<i>Total</i>	29,927	37,575	25.6	<i>Total</i>	99,397	115,074	15.8

increase in the number of farms considering organic conversion in 2005. Organic poultry continued to be in high demand. A recent survey undertaken by the Yorkshire Organic Centre found that 60% of consumers wanted to purchase organic chicken but there was insufficient supply. The strong regional branding of Definitely Yorkshire organic milk from Dairy Farmers of Britain (DFoB) has greatly increased consumer access to regional organic milk. A number of organic farms supplying the dairy have been involved in developing new products to be sold alongside the existing Yorkshire Organic branded milk.

Farm to farm trading has continued to increase between livestock and arable businesses across the northern counties. Local trading of cereals and pulses has enabled an increasing number of organic livestock enterprises to operate to 100% organic rations through on-farm milling and mixing.

Nevertheless the availability of organic processing at local abattoirs and meat cutting plants has continued to be problematic. Organic producers operating direct sales of organic meat require packing and labelling facilities. Without small abattoirs offering this service consumer choice of regional organic meat products will be seriously restricted.

Northern Ireland

In January 2006, there were 9,549ha of organically

managed land in Northern Ireland, an increase of 42% on the previous year. Organic land now accounts for approximately 0.7% of Northern Ireland's total agricultural land. In January 2006, there were 219 organic and in-conversion producers, a 24% increase on the previous year. Capacity continues to grow at a high rate compared to other areas of the UK. Production levels look set to expand even further in the coming years as the number of enquiries about organic production increased by approximately 50% during the last quarter of 2005, compared to the last quarter of 2004.

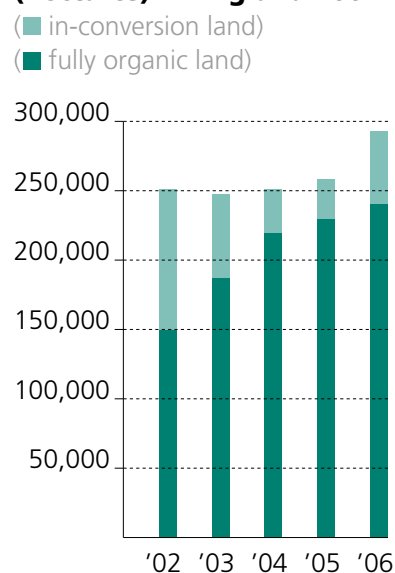
In Northern Ireland approximately 70% of the total agricultural land is designated as Less Favoured Area and a large number of farmers rear livestock; of the total organic land area 91% is currently grassland, while 4.5% of the organic land area is arable and 0.6% is used for horticulture.

In recent years there has been a significant improvement in the development of supply networks for local organic produce in Northern Ireland. For example, one processor is now hoping to source organic lamb within Northern Ireland. However, in some sectors, such as liquid milk, poultry and beef, there is still a heavy dependence on retail markets outside Northern Ireland.

A large proportion of Northern Ireland's organic production is sold through UK-wide multiple

	2005	2006	% annual change
West Midlands			
In-conversion	2,371	3,123	31.7
Organic	26,703	26,607	-0.4
<i>Total</i>	29,074	29,730	2.3
Yorkshire			
In-conversion	1,278	2,113	65.3
Organic	8,523	8,568	0.5
<i>Total</i>	9,802	10,681	9.0
England			
In-conversion	28,867	53,276	84.6
Organic	229,367	239,986	4.6
<i>Total</i>	258,234	293,262	13.6

Figure 13
Change in organically managed land (hectares) in England 2002–06



retailers who are keen to source more organic produce in Northern Ireland, although it is evident that production capacity is currently limited.

Notably, a large proportion of organic beef and poultry produced in Northern Ireland is sold to multiple retailers and very little is sold direct from farmer to consumer. However, the market is growing and a number of farmers are now selling organic produce direct to consumers. In the organic pork and horticulture sectors the small number of organic producers involved tend to sell locally through box schemes, farmers markets and farm shops.

Scotland

In Scotland, the area of organically managed land decreased by 28% from 356,764 ha in January 2005 to 255,702 ha in January 2006. Some 40.5% of the UK's organically managed land is in Scotland and within this the area of fully organic land decreased by 31% to 239,038 ha as some large hill farms decided to withdraw from organic production at the end of their Organic Aid Scheme agreements. However, in January 2006, there were 636 organic producers in Scotland compared to 632 in January 2005, and the area of in-conversion land increased by 33% to 16,664 ha. On 31 March 2005, there were 453 producers whose organic farming conversions were supported by the Organic Aid Scheme. This indicates that a significant number of farmers continue to manage their farms organically after the completion of the five year conversion agreement. The introduction of the discretionary maintenance agreement is intended to encourage

producers to retain their status after conversion and there were 69 successful applicants in the first year.

In January 2006, 95% of Scotland's organic land area was grassland, 3.2% was arable and the remaining 2% was split between horticulture, fodder silage and other crops and organic woodland. All crop types saw a decline in organic land area in the year to January 2006.

During the summer of 2005, the Soil Association conducted a SEERAD-funded project investigating Scotland's organic supply network.³⁰ The project sought to investigate the level of market penetration of indigenous organic produce, and chart the sector's progress against the Organic Action Plan target of meeting 70% of domestic demand with domestic production.

The survey found that Scotland's organic supply network is export focused and dominated by livestock production. Scottish organic producers supply the rest of the UK with a considerable amount of organic products. In particular, 9% of the organic beef and 38% of the organic lamb consumed in the UK is produced in Scotland. Relatively high levels of production do not necessarily result in high levels of market penetration. Scotland is very much part of the UK's organic supply network and relies on processing capacity in England. As a result, much of Scotland's organic produce is distributed across

Figure 14

Change in organically managed land (hectares) in Northern Ireland 2002–06

(■ in-conversion land)
(■ fully organic land)

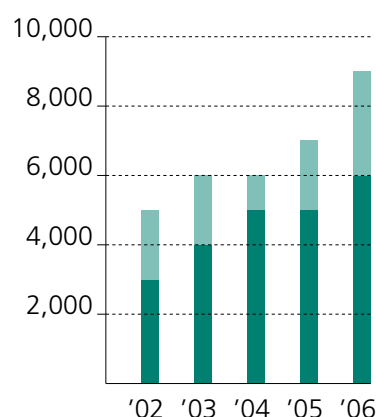


Table 18

Organically managed land (hectares) in Northern Ireland (January 2006)

	hectares	% of total
Vegetables, salads and herbs	26	0.3
Potatoes	25	0.3
Fruit	10	0.1
Horticulture	61	0.6
Grassland	8,773	91.9
Arable	358	3.7
Woodland	119	1.2
Fodder, silage and other crops	70	0.7
Unknown	168	1.8
Total	9,549	

the UK. For example, more than a third of the UK's organic weaners and 15% of the UK's finished organic pigs are produced in Scotland. This level of production would cater for domestic demand but the loss of provenance means that it is impossible to guarantee that pork produced in Scotland is consumed in Scotland. The report highlighted that Scotland's organic sector could meet the Organic Action Plan target of supplying 70% of domestic demand. However, an export focus and reliance on processing capacity in England results in an estimated market penetration level of 50%.

In 2005, the majority of enquiries to the Scottish Agricultural College (SAC) organic helpline came from existing organic farmers (37% crops and grass enquiries, 39% livestock, 10% marketing and business profitability and 14% about conversion). There was an increase in livestock enquiries in 2005, particularly in nutrition enquiries, probably as a result of changes to the non-organic feed derogation. It was expected that the level of interest in converting to organic production would increase following the decoupling of statutory support from production and the introduction of the Single Farm Payment on 1 January 2005. However, this did not happen for the March 2005 deadline for the SEERAD Organic Aid Scheme (OAS). Since then SEERAD has increased the OAS payment rates, for both the conversion and maintenance elements of the OAS, and there are strong indications that interest will be higher for the 2006 OAS deadline.

Wales

In January 2006, there were 72,631 ha of organically managed land in Wales, a 13% increase on the previous year. Of this, 58,732 ha of land was fully organic (a 6% increase on the previous year) and 13,899 ha was in-conversion (a 55% increase on the previous year). Of the fully organic land in Wales, 94% is grassland, 3.6% is arable, 1.1% is woodland, and 0.8% is horticulture. In January 2006, there were 681 organic and in-conversion producers in Wales, an increase of 6% since January 2005.

Organic farmers in Wales continued to have access to support through a range of agri-environment schemes, including the OFS conversion and then maintenance phases; as well as Tir Cynnal or Tir Gofal. At the end of 2005, approximately 70% of all organic farmers were in, or had applied to join, other agri-environment schemes in addition to the OFS. Approximately half of the organic farmers in Wales are in Tir Gofal, and 40% of the remainder have applied to Tir Cynnal. Proposals to remove the Tir Mynydd scheme in 2007 or 2009 may increase the likelihood of the remaining farmers applying for further agri-environmental support.

The number of registrations for the Organic Conversion Information Service (OCIS) in Wales increased by 38% from 173 in 2004 to 239 in 2005. First visits showed an increase of 16% (from 117 to 136), but second visits decreased slightly from 87 to 84. This may indicate that while farmers were considering conversion, many were not ready to

Figure 15
Change in organically managed land (hectares) in Scotland 2002–06

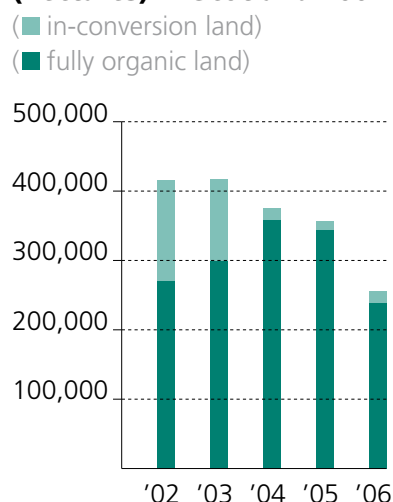


Table 19
Organically managed land (hectares) in Scotland 2005–06

	2005	2006	% annual change	% of total
Grassland	341,202	242,561	-28.9	94.9
Horticulture	1,490	1,278	-14.2	0.5
Arable	10,388	8,176	-21.3	3.2
Woodland	2,525	919	-63.6	0.4
Fodder, silage and other crops	768	570	-25.8	0.2
Unknown	391	2199	462.4	0.9
Total	356,764	255,702	-28.3	

commit to organic production, as the implications of the SPS for individual farmers only became clear in the latter half of the year. Of the OCIS registrations, 70% were from beef and sheep producers, 11% from arable producers, 6% from horticultural producers, 6% from poultry producers, 4% from dairy producers and 3% from pig producers.

In the year to January 2006, the number of organic and in-conversion processors based in Wales declined by 7% to 112. This problem is not specific to organic processors as Wales saw a continued reduction in milk processing facilities, with the closure of Aeron Valley and DFoB Llangadog. While neither of these plants processed organic milk, it is symptomatic of the continual restructuring of the dairy industry that could disadvantage producers whose milk has to be transported over long distances. The retail market is increasingly focussing on regional products and as fuel prices continue to increase, innovation and investment in local processing is essential – as seen in Aberystwyth by Rachel's Organic who invested £3 million and secured a further local market for Welsh organic producers and local jobs for the area.

In February 2006, Organic Centre Wales conducted a survey into current production levels and marketing channels within the organic

sector as well as organic processing, retailing and other organic businesses in Wales. It was found that producers had problems finding suitable land to rent or buy and costs were prohibitive. In addition, there is a lack of infrastructure in Wales to support production levels, of red meat in particular. Wales is well served with national retailer abattoirs for both beef and lamb. However, producers are often reliant on national retail chains which sometimes result in stock being transported long distances, or sold into non-organic markets. Fortunately, Wales has a large producer group, Graig Farm Organic Producers, which specialises in coordinating organic stock for the national retail chains, and other smaller producer groups focusing on specialist markets.

Figure 16
Change in organically managed land (hectares) in Wales 2002–06

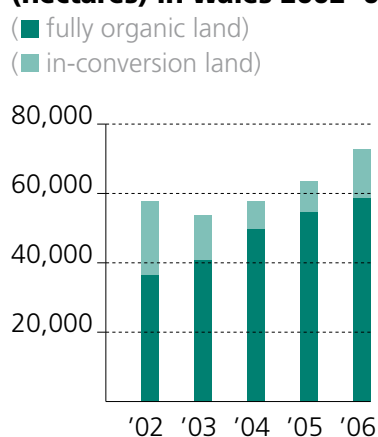


Table 20
Organically managed land (hectares) in Wales 2004–06

	2004	2005	2006	% annual change	% of total
Grassland	44,341	51,064	68,026	33.2	93.7
Horticulture	487	479	588	22.7	0.8
Arable	2,389	2,289	2,613	14.2	3.6
Woodland	621	739	766	3.7	1.1
Fodder, silage & other crops	1,709	871	455	-47.8	0.6
Unknown	–	–	183	–	0.3
	49,547	55,442	72,631	31.0	

4 PROCESSED ORGANIC PRODUCTS

THE NUMBER OF REGISTERED ORGANIC PROCESSORS AND IMPORTERS IN THE UK INCREASED BY 5% TO 2,135 IN JANUARY 2006

SALES OF ORGANIC ALES THROUGH THE MULTIPLE RETAILERS INCREASED BY MORE THAN 30% IN 2005

THE RETAIL MARKET FOR PREPARED ORGANIC FOODS WAS WORTH £170-200 MILLION IN 2005

THE PROCESSED ORGANIC DAIRY MARKET (BUTTER, CHEESE, YOGURT) WAS WORTH APPROXIMATELY £130 MILLION IN 2005



4.1 Processed food and drink

The number of registered organic processors and importers in the UK increased by 5% from 2,028 in January 2005 to 2,135 in January 2006. The majority (84%) of organic processors in the UK are based in England, primarily in the Southeast and London (23% of the UK total). However, the Northwest saw the largest increase in organic processors (17%) in the year to January 2006. In the UK as a whole, Northern Ireland saw a 27% increase in processor numbers, from 41 in January 2005 to 52 in January 2006. However, both Scotland (-12%) and Wales (-7%) experienced a decline in the number of registered processors over the same period.

Note: Due to insufficient information it was not possible to report on all sectors of the processed organic food and drink market. This in no way reflects the relative importance of different processed products. It is hoped that a broader range of processed products will be covered in future reports.

Alcohol

In 2005 sales of organic alcohol continued to grow in all sectors. In the beer market, sales of organic ales through the multiple retailers increased by more than 30%; the main brands are Fullers, Smith & Turner's Honeydew and Duchy Originals.

Comparably, sales of non-organic ales continued to decline. In 2005, organic ales accounted for 0.73% of the total take home ale market, compared to 0.5% in 2004.²³

A few new small breweries gained organic certification and are now producing organic beers. The shortage of small to medium sized lager breweries in the UK has prevented organic lager from taking off in the same way and imported organic lagers still dominate the sector. UK grown organic hop supplies are still very small although greater quantities of imported organic hops became available in 2005.

Due to an increase in the range and distribution of organic spirits in the multiple retailers, the market for organic spirits continued to grow. Multiples such as Asda and specialist retailers such as Wholefoods are extending distribution for organic spirits to new areas and customers. The first organic blended malt whisky was successfully launched.

While the diversity of organic wine brands, types, suppliers and countries of origin increased during 2005, the industry is still hindered by the fact that the EU Organic Regulation 2092/91 does not cover organic wines, and plans to include wine in the forthcoming revision of the regulation are generally welcomed.

Table 21
Number of organic processors and importers in the UK 2004–06

England	2004	2005	2006	% annual change	% of UK total
East of England	233	241	258	7	12.1
East Midlands	189	189	198	5	9.3
Northeast	30	26	29	12	1.4
Northwest	124	125	146	17	6.8
Southeast and London	450	478	498	4	23.3
Southwest	347	370	384	4	18.0
West Midlands	135	132	142	8	6.7
Yorkshire & Humberside	122	134	144	8	6.7
	1,630	1,695	1,799	6	84.3
Northern Ireland	33	41	52	27	2.4
Scotland	169	177	172	-12	8.1
Wales	109	115	112	-7	5.2
Total	1,941	2,028	2,135	5	

Baby foods

In comparison to other food sales sectors the baby food market has a large proportion of organic foods. This is due in part to legislation controlling the level of pesticide residues within baby foods, and in part by parents wanting to feed their children organic food. In 2005, sales of organic baby foods increased by 5.6% to £73.3 million, whereas sales of non-organic baby foods declined by 2% over the same period. The total baby food market is dominated by four brands, as detailed in Table 22.

Wet meals account for approximately three-quarters of all organic baby food and infant formula sales.²⁴ However, the finger food market saw the highest growth in 2005, with an increase of 52% compared to 16% for non-organic finger foods. Finger foods are traditionally introduced at stages two or three (seven or nine months of age, respectively) and include rice cakes, rusks, breadsticks and biscuits. Organic products now account for 43% of the total market.

The baby food market is preparing for a potential change in eating patterns, with many manufacturers following the Department of Health's (DoH) advice on the best age at which to introduce solid foods into an infant's diet. Previously, simple purees were marketed as 'from four months of age', with pieces such as fruit dice or rice grains gradually introduced 'from seven months'. However, the

DoH now recommends exclusive breast feeding until six months before the introduction of solid foods. This may impact on total sales over the next few years due to the narrowing of the ages in which different foods are introduced.

While the number of manufacturers based in the UK continues to increase, most are small specialist operations dealing with mail-order frozen foods, such as Simply Organic, Fresh Daisy, Truuuly Scrumptious and All Good Stuff. In general, the organic baby food market remains heavily dependent on imported foods because most of the larger companies, such as Hipp, Organix, Heinz and Cow & Gate, now manufacture most of their products in Europe.

Chocolate

In May 2005, Green & Blacks were taken over by Cadbury Schweppes for an estimated £20 million. Since the acquisition, Cadbury has retained the Green & Blacks brand and the company is run as a stand-alone business. Massive investment has resulted in growth of 67% for Green & Blacks compared to growth of just 0.3% for the chocolate market as a whole. Over the next 12 months, with a marketing spend of more than £4 million, it is anticipated that Green & Blacks will continue to see strong growth.

Chocolate is one of the fastest growing sectors within the organic grocery market.²⁴ Green & Blacks

Figure 17

Number of organic processors and importers in the UK 2003–06

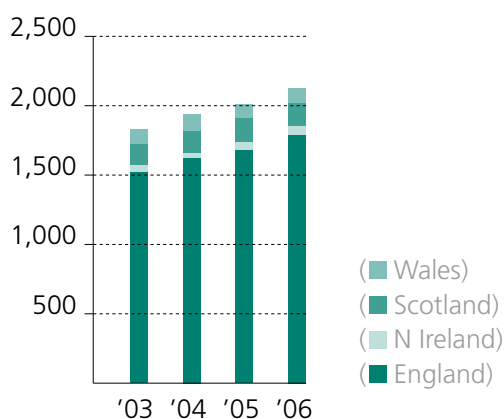


Table 22

The organic baby food market by brand 2005²⁶

	total £m	organic £m	organic % of business
Heinz/Farleys	66.2	£19.3	42.6
Cow & Gate/Nutricia	33.0	£10.4	31.5
Hipp	28.2	£27.9	98.9
Organix	15.7	£15.7	100
<i>Total</i>	143.1	£73.3	51.2

are the only organic chocolate brand to be widely stocked in the multiple retailers. However, smaller organic chocolate manufacturers, such as the Booja Booja Company and the Chocolate Alchemist, increased product ranges in 2005 and are successfully marketing their produce to consumers as high quality, handmade and luxurious.

Convenience foods

In 2005, the retail market for prepared organic foods (including chilled convenience foods and groceries) was worth an estimated £170–200 million.²⁴

Organic convenience foods are a relatively new concept with huge growth potential through more widespread distribution of existing products and new product development. The key drivers of UK food sales are convenience and health, and many prepared organic foods offer both. Consumer research has revealed that 35% of consumers purchasing organic convenience foods felt that a known and trusted brand was important to their purchase. However, it was not enough for convenience foods to just be organic: 42% of consumers purchasing organic convenience foods said that other healthy eating benefits, such as low fat, were also important to them. As a consequence, brands that market produce as organic and healthy/nutritious/premium have seen significant growth in recent years. For example, Simply Organic have seen sales growth of over 50% a year in the last four years.

Dairy products

In 2005, the processed organic dairy market was worth approximately £130 million. Market growth is largely due to successful new product launches and increased consumer awareness of the health benefits

associated with organic dairy products. Organic dairy products are now widely stocked in the multiple retailers and the best selling brands are becoming increasingly available in smaller retail outlets. In 2005, the multiple retailers reported increased demand; for example, Sainsbury's reported that their organic dairy business increased by approximately 63% during the reporting period.

Milk has been a commodity market for many years and, unlike the rest of the organic dairy sector, own label products create most of the volume. However, 2005 saw increased growth in branded organic milk, as well as branded organic dairy products as a whole. This is largely attributed to active product development programmes, which have taken organic brands into new areas of the market, as well as fair pricing and strong brand loyalty from new and existing customers.



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In 2005, the market for organic butter increased by 22% to £9 million; in comparison, the total (organic and non-organic) butter market increased by 5% over the same period.

Between 2004 and 2005, the market for organic cheese increased by 13% to £32 million. The market is far more diverse than milk or yogurt, with numerous small, regional producers.

The market for organic yogurt is the largest and most established sector of the organic dairy market. In 2005, the organic yogurt market was worth more than £90 million – representing a 21% increase since 2004. This compares with the total yogurt market (organic and non-organic) which saw a 1.8% increase in sales over the same period.

The growth in organic yogurt sales can also be attributed to increased consumer awareness and new product launches, particularly in the children's and Greek yogurt sectors. Branded organic yogurts account for most sales: in 2005, Yeo Valley had a 55% share of the market, with Rachel's Organic accounting for 14%, Vandemoortele 11% and own-labels accounting for a 12% share. The remainder of the market is made up of smaller, often regional brands. Sales figures for the first quarter of 2006 indicate that the organic yogurt market will be worth more than £110 million by the end of the year.

Organic dairy products now have mass market appeal and have become a key 'entry point' for a growing number of people who are trying organic food for the first time. The proliferation of new products, increased and more efficient distribution –

particularly through the multiple retailers – and increased consumer awareness have all contributed to the growth of the market.

Fats and oils

Fats and oils are sold as ingredients for organic products, such as salad dressings, condiments, sauces and snacks. A wide range of organic bottled culinary oils and blends are now available. These are often marketed as high quality, cold pressed, high omega 3-6-9 and frying oil blends, and sell particularly well in the health food market. At present the multiple retailers only market a limited range of bottled organic oils, namely olive, sunflower and rapeseed.

The market for liquid organic oils is dominated by sunflower oil; rapeseed oil does not sell well, as most manufacturers like to claim the use of sunflower oil on labelling. 2005 saw increased interest in high oleic sunflower oil. There are health benefits associated with high oleic oil and greater stability for high temperature frying compared to the normal linoleic sunflower oil. There was a shortage of organic olive oil in 2005, which caused prices to increase and this affected manufacturers of oil based products, such as pesto. Following the removal of the derogation allowing the use of non-organic soya oil in animal feed, demand for organic soya by feed compounders has increased.

The market for organic fats and oils is directly proportional to the amount of organic processed food sold. For example, palm fat is the predominant hard fat used in bakery goods. Most organic palm oil is produced in South America and then transported to the EU for blending and refining

Figure 18
Percentage of organic and non-organic dairy products by sector 2005²⁷
(■ organic products) (■ non-organic products)

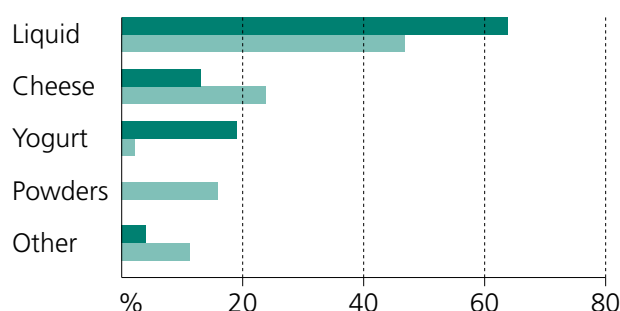
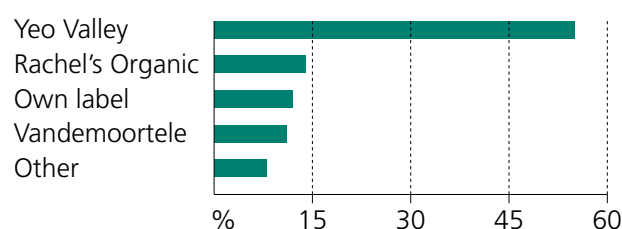


Figure 19
The organic yogurt sector by market share 2005



for shortening and margarine. Demand for hard fats continues to increase as consumer demand for organic baked goods increases.

Juices and juice drinks

In 2005, the organic juice and juice drinks market was worth £25 million, of which £23 million was sold through the multiple retailers. Within the organic juice sector, organic chilled multi-serve juice drinks increased in value by 36.5%, ambient multi-serve juice drinks increased in value by 10%, and one-shot drinks increased in value by 2.7%. Organic juice company RDA Organic reported annual sales growth of 80%.

All non-organic soft drinks now have an organic 'alternative' and despite the launch of the UK's first organic pure fruit smoothie, new product development in the sector was limited in 2005. Branded juice drinks saw growth of 2% in value, while own label organic juice saw a decline of 13% in value. Organic juice and juice drink products account for just 1.7% of the total market and growth in the organic juice market is in line with that of the juice sector as a whole.

Despite the wide range of organic juices available, distribution remains an issue and there is an increasing reliance on imported ingredients. Many organic soft drinks manufacturers import fruit that could be grown in the UK because it is not available in a useable format for manufacture. However, import availability and consistency continue to improve as the market develops.

4.2 Non-food products

Health and beauty products

In 2004, the European market for organic and natural personal care products was valued at €700–1,300 million, or approximately 1–2% of the total market. This equates to an average yearly spend of €2.6 per person, compared to a spend of €28 per person each year on organic food. Within Europe, Germany has the largest market for organic and natural personal care products. However, BDIH, the largest natural personal care certification body, offers a 'natural' rather than an 'organic' scheme.

Less than 10% of Europeans currently purchase organic personal care products and many of the products bought are purchased accidentally. Organic and natural personal care products tend to be marketed through specialist retailers or online. Some brands have been successful in marketing through department stores as 'luxury' items and a range of organic personal care products are increasingly stocked by organic retailers.

Organic Monitor estimate the total UK market for organic and natural personal care products is now worth approximately £85 million. Licensees with SA Certification Ltd last year reported growth of between 20–100%. The number of organic natural care companies licensed by SA Certification doubled during the second half of 2005. More than 40 companies are now licensed producing over 1,500 certified organic products. However, it is estimated that certified products represent less than 20% of organic natural care sales.

Consumer concern over toxic chemicals in personal care products is increasing, and awareness of the benefits of organic food is generating interest in personal care products. Businesses are responding to this increase in demand by developing new products, leading to greater customer choice and improvements in the effectiveness of the organic personal care products available. Skin care products



are the most popular, accounting for over half of the total market (by value), followed by hair care, oral care and colour cosmetics. As more and more high street retailers begin to stock organic personal care products this will provide a significant boost to the industry.

Textiles

Retailer and consumer interest in organic textiles continued to increase; in 2005, Europe had the largest market, followed by the USA and Japan. The Global Organic Textile Standard (GOTS) has been developed to make it easier to certify organic textiles and thereby expand the market. SA Certification currently certifies 18 organic textile companies with others in the application process.

While demand for organic wool and leather continued to increase, the vast majority of organic textiles were made from cotton – two thirds of which is grown in Turkey and the USA. The launch of fair trade cotton has boosted the market for organic products as many fair trade producers are also certified organic, thereby helping to raise consumer awareness of ethically produced clothing.

In 2005, the General Clothing Company reported a seven-fold increase in sales, becoming the first company to certify an entire fashion range. In addition, the major high street retailers are increasingly interested in organic textiles. Wal-Mart are the single largest purchaser of organic cotton and Marks & Spencer have pledged to use 5% organic cotton by 2012. Retailers are also looking to source organic textiles from small and medium-sized enterprises – for example, Top Shop has concessions in store for People Tree, Gossypium and Hug.

5 RETAIL SALES & IMPORTS

IT IS ESTIMATED THAT RETAIL SALES OF ORGANIC PRODUCTS IN THE UK WERE WORTH APPROXIMATELY £1.6 BILLION, AN INCREASE OF 30% ON THE PREVIOUS YEAR

RETAIL SALES MADE THROUGH PRODUCER-OWNED OUTLETS, SUCH AS BOX SCHEMES, MAIL ORDER, SHOPS AND FARMERS' MARKETS, INCREASED BY APPROXIMATELY 11% TO £125 MILLION

APPROXIMATELY 66% OF THE ORGANIC PRIMARY PRODUCE SOLD IN MULTIPLE RETAILERS WAS SOURCED IN THE UK IN 2005

THERE WERE 550 FARMERS' MARKETS IN THE UK, WITH A COMBINED ANNUAL TURNOVER OF £220 MILLION

Figure 20
Retail sales (£ million) of organic products by outlet type 2000–05

(■ non-producer retailers) (■ producer retailers)
(■ other) (■ mutiple retailers)

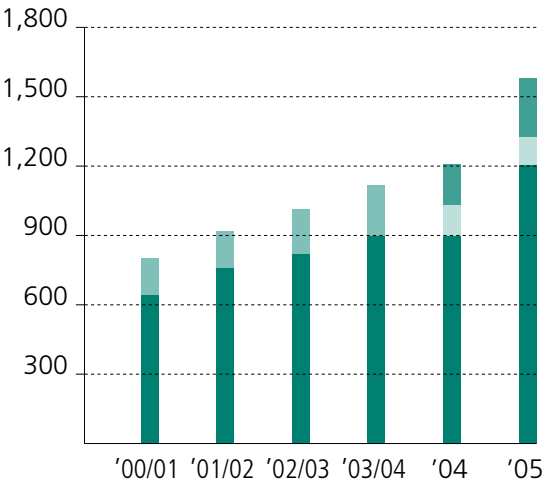


Table 23
Retail sales of organic products (£ million) in the UK 2004–05

	2004		2005		% annual change
	%	£m	%	£m	
Multiple retailers	75	913	76	1,199	31
Producer retailers	9	113	8	125	11
Non-producer retailers	15	187	16	259	38
Total		1,213		1,583	30

In this year's report the organic retail sales data has been reclassified to better reflect the changing nature of the organic market. In previous years, organic retail sales data was split into three categories – multiple retailer sales, independent retailer sales and direct sales. However, these distinctions have become outdated and, to a certain extent, misleading. For example, some box schemes and farm shops are no longer owned or run by producers, while some producer owned retail outlets import produce to ensure continuity of supply, so consequently sales can no longer accurately be described as 'direct sales' (direct from the producer to the consumer). Consequently, the organic retail sales data for this year's report has been categorised as follows:

- Multiple retailer sales – retail shops with more than 10 outlets
- Producer owned retail outlets – retail outlets, such as farm gate sales, farmers' market sales, mail order, box schemes, and shops owned by producers
- Non-producer owned retail outlets – such as independent retail shops, farm shops, and mail order/box schemes that are owned by non-farmers.

In 2005, retail sales of organic products in the UK were worth approximately £1.6 billion – an annual increase of 30%.

Between 2004 and 2005, sales of organic products through the multiple retailers increased by 31% to £1.2 billion. It is estimated that 76% of all organic products purchased in the UK are bought through the multiple retailers.

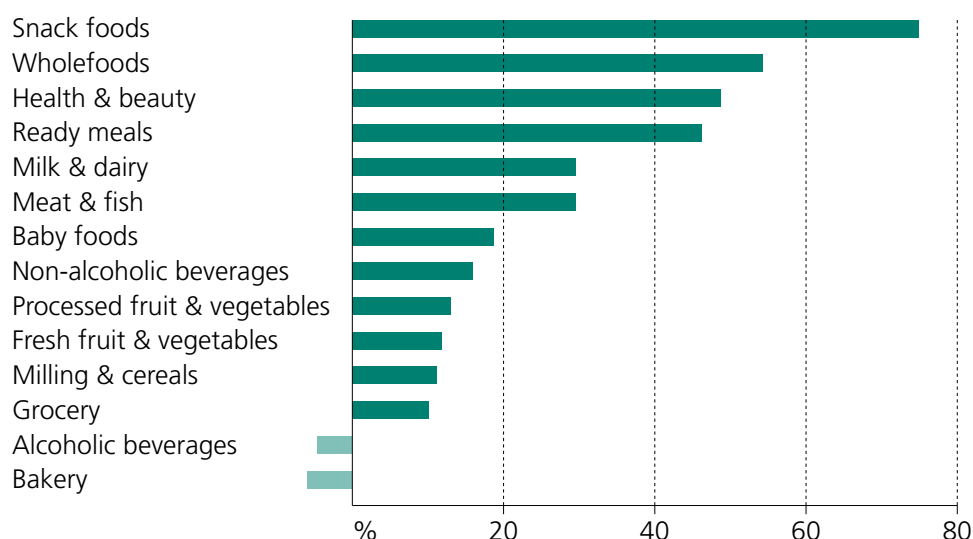
Retail sales made through producer-owned outlets, such as box schemes, mail order, shops and farmers' markets, increased by approximately 11% to £125 million in 2005. Over the same period, retail sales of organic products through non-producer owned box schemes, mail order and shops increased by 38% to £259 million.

5.1 Multiple retailers

In 2005, sales of organic products through the multiple retailers were worth an estimated £1.2 billion. This represents annual growth of approximately 31%, compared to a growth rate of just 1.5% in 2003/04. In spite of this rapid growth the multiple retailer's share of the UK organic

Figure 21

Average annual growth in the multiple retailers (% value) by product category



Note: Based on data from five multiple retailers. Not all retailers list products from all categories.

market increased by less than 1% as sales of organic products through independent outlets increased more rapidly. In 2005 it is estimated that 76% of all organic products purchased in the UK were made through the multiple retailers.



CASE STUDY P.71

Note: Data relates to the value of organic produce sold, not volume. It should be noted that British produce may be very cheap in season, although the volume sold may be very high. The data relates to the annual percentage of indigenous primary produce sold: the percentage of UK produce sold in season may be much higher than the yearly average.

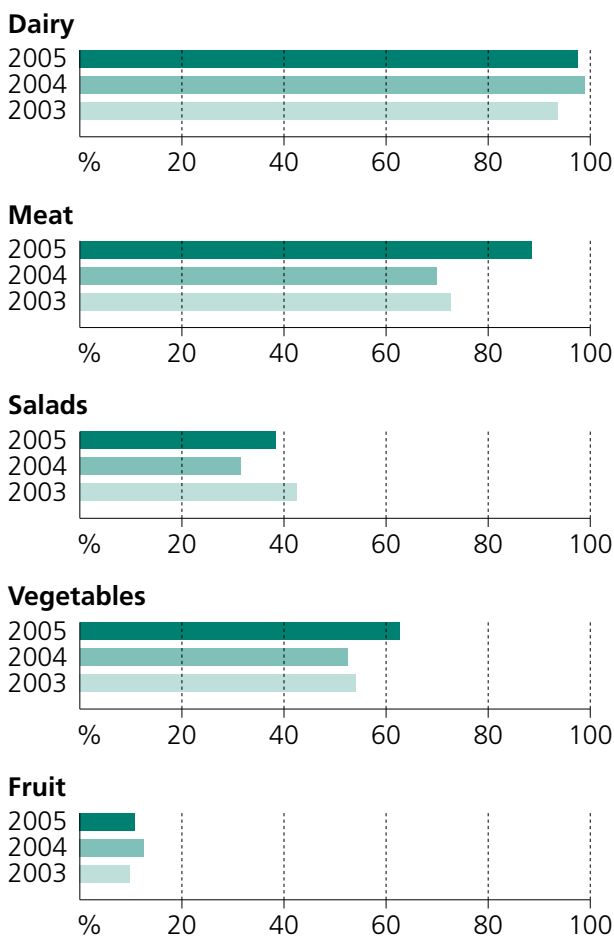
Note: 2005 import figures are based on data from three multiple retailers (Tesco, Sainsbury's and the Co-op) collected by the Soil Association. The 2004 import figures (Tesco, Asda, Sainsbury's and the Co-op) and 2003 import figures (Tesco, Asda, Sainsbury's, Safeway, Marks and Spencer and Co-op) were collected by the BRC on behalf of Defra.

In 2005, organic snack foods and confectionery saw the largest sales increase, up 75% on 2004. This growth was closely followed by sales of organic wholefoods such as rice and lentils (54%); health and beauty products (49% sales reported by one multiple retailer only); and ready meals and chilled foods, such as fresh soups and tofu (46%).

Organic milk and dairy products (28%) and meat, poultry and fish (28%) also saw significant growth in sales over the year. Sales of organic baked products, such as bread and cakes, declined by 6% between 2004 and 2005, as some smaller multiples de-listed

Figure 22

Percentage of organic primary produce sold through multiple retailers (by value) sourced in the UK 2003–05



organic bakery products. The survey also showed that sales of organic alcohol also declined by 5% as one large multiple retailer continued to reduce the number of organic lines sold.

Multiple retailer imports

In 2005, it is estimated that 66% of the organic primary produce sold in multiple retailers was sourced in the UK. This is an increase of 13% since 2004. Several multiple retailers stated increased commitment to UK sourcing in 2005, and this is evident in the increased percentage of UK organic meat (an increase of 19% since 2004)

and vegetables (an increase of 10% since 2004) sourced in 2005.

Dairy and egg

In 2005, 97% of dairy products sold in the multiple retailers were sourced in the UK. All butter, cream, eggs and yogurt sold were of British origin, while 85% of cheese sold was sourced in the UK; the remaining 15% was primarily imported for purposes of authenticity, such as French Brie. The volume of UK organic milk sourced by multiple retailers declined by 1% because the market for organic milk entered undersupply for the first time in 2005.

Figure 23

Percentage of organic meat sold through multiple retailers sourced in the UK (by value) 2003–05

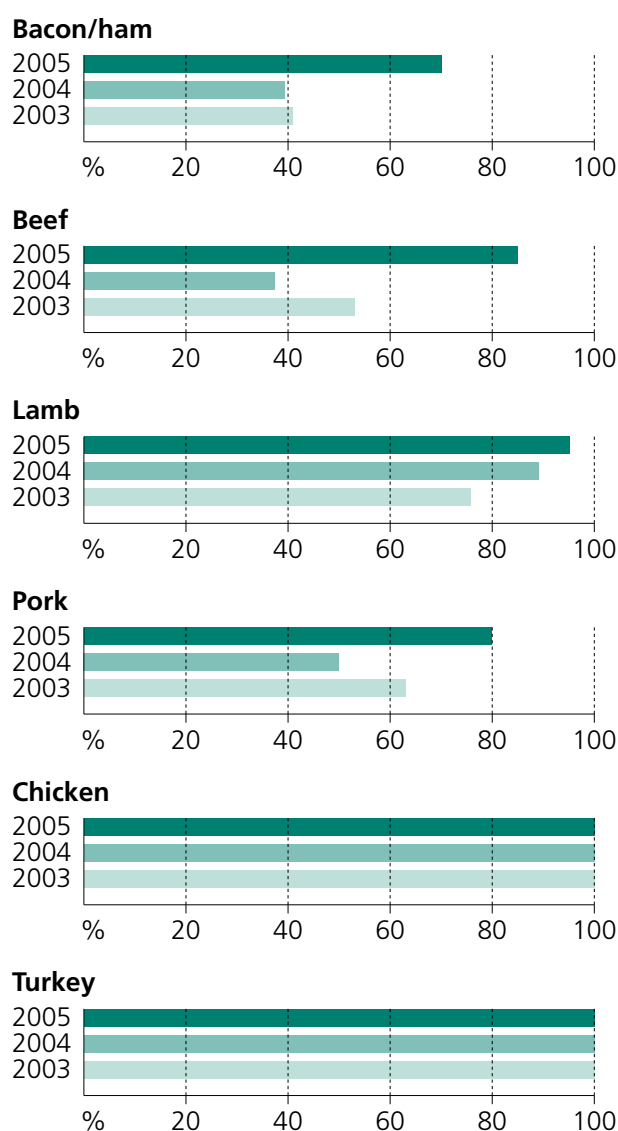
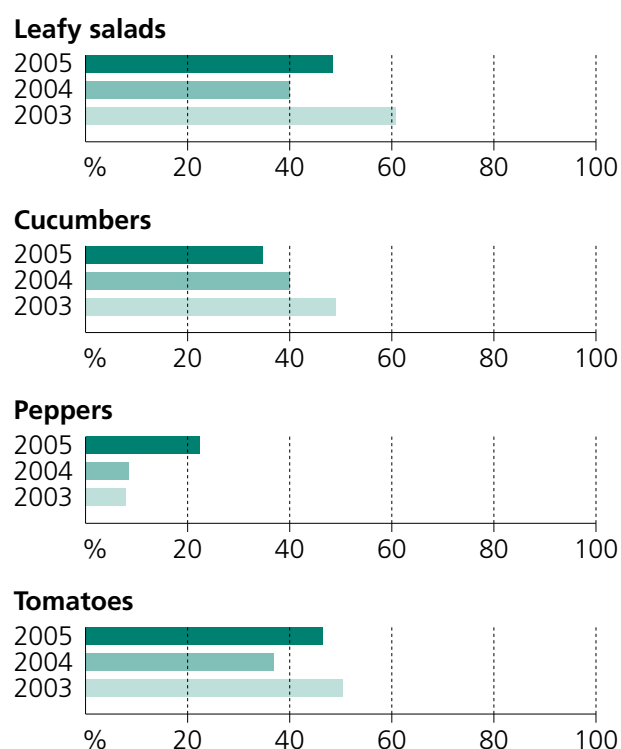


Figure 24

Percentage of organic salads sold through multiple retailers sourced in the UK (by value) 2003–05



Meat

During 2005, several multiple retailers gave a greater commitment to UK sourcing of organic meat, leading to higher percentages of UK organic beef, lamb and pork being sold. In 2005, 88% of the meat sold by the multiple retailers was sourced in Britain, compared with 69% in 2004. In 2005, the percentages of bacon/ham (70% British), beef (85% British), lamb (95% British) and pork (80% British) sourced in the UK increased dramatically and, as in previous years, all organic chicken and turkey was sourced in the UK.

Salad

Overall, the percentage of organic salads sourced in the UK increased from 32% in 2004 to 38% in 2005, although this is still below 2003 levels when approximately 42% of salads were sourced in the UK. The relatively high level of imported salads is attributable to consumer demand for out of season produce, increased demand for organic salads, and an increase in the range of organic salads sold. The percentage of leafy salads sourced in the UK increased from 40% in 2004 to 49% in 2005, organic peppers increased from approximately 9%

to 22%, and tomatoes from 37% to 47%. However, the percentage of organic cucumbers sourced in the UK decreased from 40% to 35%.

Vegetables

The percentage of organic vegetables sourced in the UK by multiple retailers increased from 52% in 2004 to 63% in 2005. During 2005, the multiple retailers sourced an estimated 54% of peas and beans, 32% of broccoli, 65% of cabbage, 84% of carrots, 63% of cauliflower, 100% of mushrooms, 36% of onions and 69% of potatoes from the UK. Overall, the percentage of UK vegetables sourced in all categories increased between 2004 and 2005, except for broccoli which remained stable at 32% and onions, which declined by 9% over the same period. At present there is insufficient UK land in production to meet demand for organic broccoli and onions; this is partly due to stringent quality and consistency requirements, rotational restrictions, and a move away from supplying the multiple retail market by some UK growers.

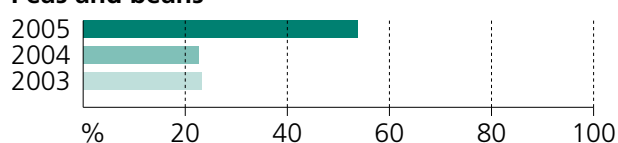
Fruit

The percentage of UK organic fruit sold by multiple

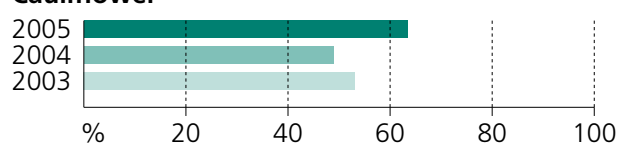
Figure 25

Percentage of organic vegetables sold through multiple retailers sourced in the UK (by value) 2003–05

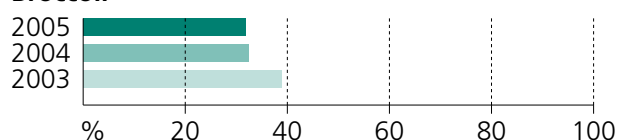
Peas and beans



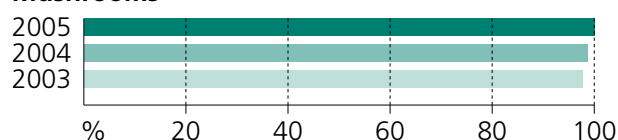
Cauliflower



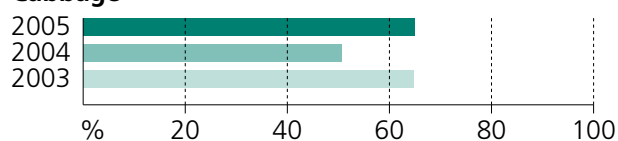
Broccoli



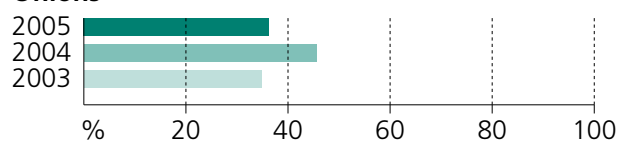
Mushrooms



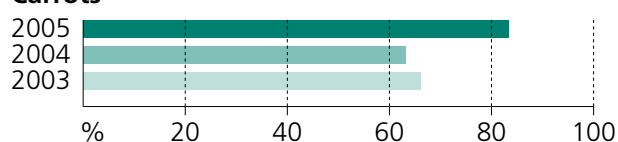
Cabbage



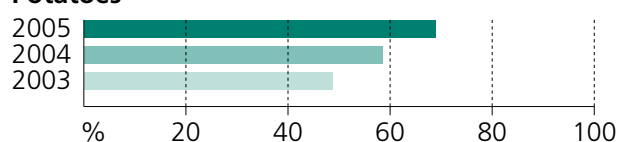
Onions



Carrots



Potatoes



retailers decreased from 13% in 2004 to 11% in 2005. This decline is largely attributable to a reduction in the percentage of organic soft fruit sourced from the UK, decreasing from 42% in 2004 to 22% in 2005. It is assumed that increased demand in this category has resulted in a short-term increased reliance on imports. The proportion of apples (8%), pears (6%) and stone fruit (8%) sourced increased between 2004 and 2005.

5.2 Non-multiple retailer sales

In 2005, sales of organic products through producer owned retail outlets were worth an estimated £125 million – an 11% increase on the previous year. Over the same period organic sales through non-producer owned retail outlets increased by 38% to approximately £259 million. Retail sales of organic products through producer owned outlets accounted for 8% of the total market, a fall of 1% since 2004. Retail sales of organic products through non-producer owned outlets accounted for an estimated 16% of the market – a 1% increase since 2004.

In 2005, producer retailers sold 40% of their produce (by value) through box schemes and by mail order; 36% through retail shops, farm shops and at the farm gate; 22% through farmers' markets; and 2% through other outlets, such as shows, festivals and events. Over the same period, non-producer retailers sold 17% of their produce (by value) through box schemes and mail order and 83% through retail shops.

Box schemes/mail order

Total retail sales of organic products through box schemes and by mail order increased by an estimated 22% between 2004 and 2005 from £78 million to £95 million. Just over half of the total sales – approximately £51 million – were sold through producer owned schemes, with £45 million sold through non-producer owned schemes.

Average organic turnover for box and mail order schemes was £200,278 in 2005. An average of 562 boxes a week were sold, 50% selling vegetables, 43% salads, 40% fruit, 32% eggs, 32% meat and fish, 19% milk and dairy products, and 13% cereals. The average box price varied depending

Figure 26

Percentage of organic fruit sold through multiple retailers sourced in the UK (by value) 2003–05

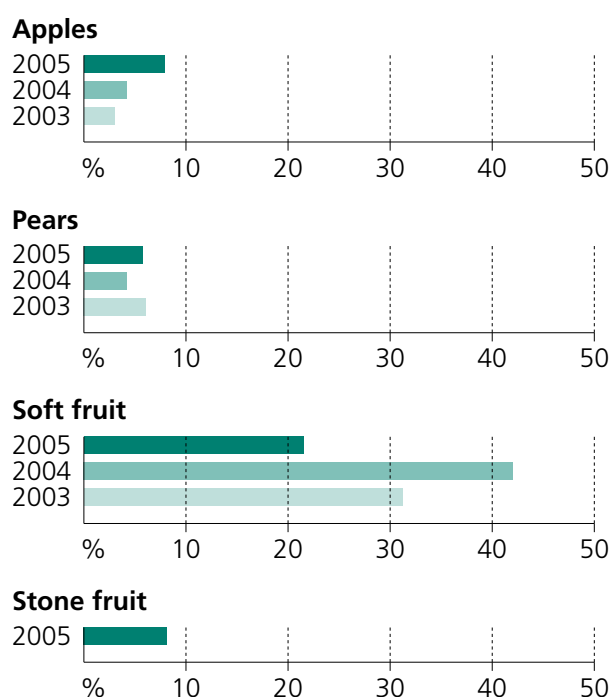


Table 24

Breakdown of producer owned and non-producer owned organic sales by outlet 2004–05

	2004 £m	2005 £m	% annual growth
Box scheme/mail order	78	95	22
Shop/farm gate	197	258	32
Farmers' markets	25	27.5	10
Other*	0.4	2.8	592
Total	300	384	28

*Sales at shows, events, festivals etc

on the type of produce sold. For example, boxes containing meat sold for an average of £52 each, vegetables £13 a box, salads £14, milk and dairy £23, eggs £17, and boxes containing cereals sold for an average of £22. Delivery ranged from two miles to nationwide, although the average was 34 miles. Average turnover for producer owned deliveries in 2005 was £126,934 compared to an average turnover of £402,349 for non-producer owned deliveries. This indicates that non-producer owned box and mail order schemes operate on a larger scale, delivering an average of 105 more boxes a week than their producer owned counterparts. In addition, non-producer owned box schemes charged an average of £11 more per box, although the boxes may contain a wider range or higher value products than that sold in producer owned schemes.

In 2005, producer owned box schemes sourced an average of 67% of organic fruit and vegetables sold, from domestic sources, compared to non-producer owned box schemes, which sourced an average of 39% of the organic fruit and vegetables sold, within the UK.

Overall, an average of 43% of the organic fruit and vegetables sold in producer owned box schemes was grown on farm; 15% was brought from local farms (within 30 miles); 9% from other UK farms;

17% from wholesalers, and 15% imported directly by the producer.

In non-producer owned box schemes, an average of 20% of the organic fruit and vegetables sold was brought from local farms; 19% from other UK farms; 44% was bought from wholesalers; and 17% was imported directly by the retailer. For a further break-down of box scheme sourcing data see appendix 1.

Farm gate sales and independent shops

In 2005, sales of organic products through independent shops, farm shops and at the farm gate were worth an estimated £258 million – an increase of 32% since 2004. Of these sales an estimated £45 million were made through producer owned retail outlets – an increase of 11% since 2004 – while £213 million were made through non-producer owned retail outlets, an increase of 37% since 2004.

Organic turnover in retail shops, farm shops and at the farm gate was an average of £223,030 in 2005. As with the box and mail order schemes, non-producer owned outlets tend to be bigger than producer owned outlets – an average turnover of £611,178, ranging from £160 to £3 million per shop in 2005. This compares with an average turnover of £53,779 in producer owned outlets,

Figure 27

Non-multiple retailer sales of organic products (£ million) 2003–05

(■ non-producer owned)
(■ producer owned)

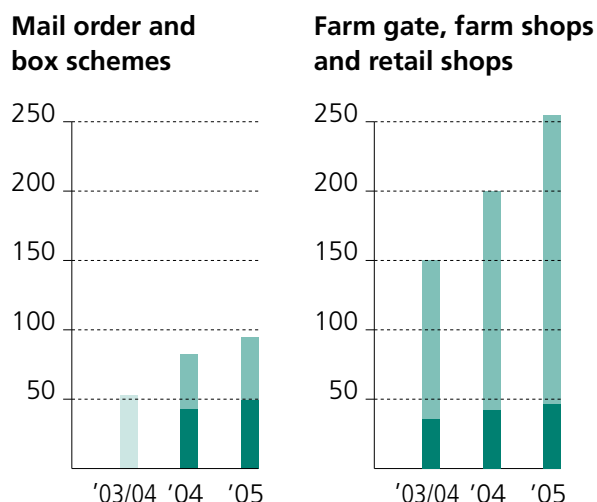


Figure 28

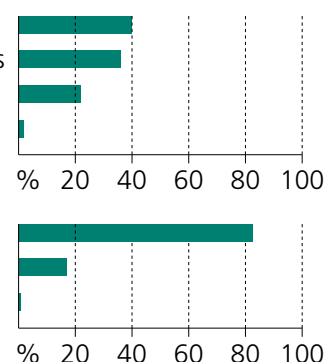
Percentage sales of organic produce (value) by outlet 2005

Producer owned

Box scheme/mail order
Retail shop/farm gate sales
Farmers' markets
Other

Non-producer

Retail shop
Box scheme/mail order
Other



ranging from £50 a year at the farm gate to almost £2 million in a producer owned retail outlet.

In 2005, producers retailing through their own shops and at the farm gate produced an average of 59% of the fruit, vegetables and salads sold on-farm, while 11% was brought from local farms, 7% was brought from other UK farms, 15% was brought from wholesalers, and 7% was imported.

Outlets that were not owned by producers sourced an average of 24% of the fruit, vegetables and salads sold from local farms, buying 13% from other UK farms, 48% from wholesalers and importing 15%.

Farmers' markets

In 2005, there were 550 farmers' markets in the UK, with an annual turnover of £220 million. The National Farmers' Retailer and Markets Association (FARMA) estimate that 10–15% of stallholders at farmers' markets sell organic produce with a retail value of £27.5 million – an increase of 10% since 2004. In 2005, the average market turnover was £19,845.

5.3 Catering

In 2005, Defra announced that the European Commission's organic regulation 2092/91 did not

include caterers, consequently all organic catering standards are voluntary. As a consequence, caterers have been slow to include organic menu options and many restaurants do not communicate the origins of the food they serve. Even caterers that serve organic food may not convey the story of how and where it was produced. At the end of the reporting period, SA Certification had 66 catering licencees, 31 of which offer an entirely organic menu. Certified caterers include restaurants, B&Bs, cafés, pubs, nurseries, contract caterers, a pizza chain and outside/corporate caterers, 30% of which are in London and the surrounding area.

It is legal for catering establishments to advertise the fact that they have used organic ingredients providing they can verify this to the Trading Standards Authority. However, there are concerns that some businesses may not be able to prove that they are using organic ingredients, risking the reputation of organic food. As a result, in 2005 the Soil Association introduced a self-regulatory registration scheme known as the Food Service and Catering Code of Practice. It is hoped that the Catering Code of Practice will support caterers who want to check the authenticity of organic ingredients but do not want to undergo full certification, which involves annual inspections, recipe checks and menu approval.

Figure 29

Source of produce sold in box and mail order schemes 2005

(■ produced on own farm) (■ from local farms) (■ from other UK farms) (■ from wholesalers) (■ imported)

Vegetables

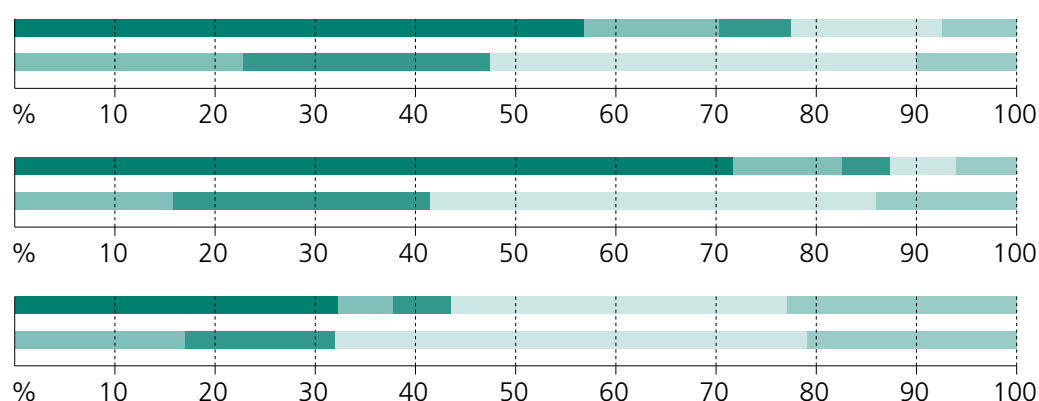
Producer owned
Non-producer owned

Salads

Producer owned
Non-producer owned

Fruit

Producer owned
Non-producer owned



In 2005, the high level of press interest in UK school meals appeared to inspire greater public interest in eating organic food; this had a knock on effect in the private catering sector. As a result, a number of key places of interest, such as the Natural History Museum in London and Center Parcs, began offering organic meals in response to increased parental concern about the quality of their children's food. The inclusion of organic produce in menu items is increasing and more distributors now list organic products. To help the sector to develop, companies could supply user-friendly organic ingredients in catering sized packs.

Public sector catering

The Government spends approximately £1.8 billion a year on food and food services, such as for schools, hospitals, the army, police, regional assemblies, local authorities, universities and colleges. Currently, there are no figures available for the overall volume or value of organic food used by the public sector, but the proportion is negligible. However, interest in organic food has increased significantly over the last three years and there are a number of successful schemes providing participating businesses with substantial outlets for organic products. The market is diverse, from niche items for small staff restaurants to large contracts for ready meals.

Contracts are arranged nationally or regionally and tend to be won by a small number of large specialist companies who can offer economies of scale and effective distribution. The companies are centralised

and cannot easily accommodate inconsistent or irregular organic supplies. While organic supply and processing capacity is developing, in many cases supply networks are not developed enough to match the non-organic global suppliers. Organic items are yet to penetrate the large volume, low value ready meals market and are not likely to do so in the near future. Change will be gradual as current contracts last for several years. The strongest market for organic food in the public sector is for small volume, high value items and for individual products such as milk, especially in areas where there have been pilot projects. Some public sector buyers are altering contracts to allow access for smaller and more sustainable businesses. Price remains a decisive factor.

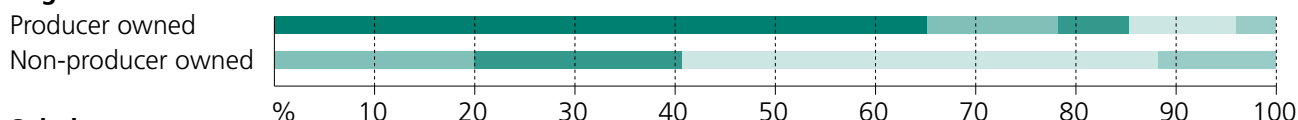
The most promising progress has been made by pilot schemes in school meals and hospitals, which have demonstrated the way forward. During 2005, the Soil Association worked with over 300 schools, several local education authorities and the first hospitals to serve organic food. Primary school meal provision across England was also investigated. Of the 129 education authorities in England, 69 responded; 21 had some organic products on the menu, 45 had none and three did not know. A total of 39 authorities expressed interest in sourcing local organic produce in principle. Hampshire, Royal Borough of Kensington & Chelsea, Bath & North East Somerset and the London Borough of Havering were using the most organic produce. On a regional basis, Yorkshire & the Humber use the most organic produce and were the most interested in developing

Figure 30

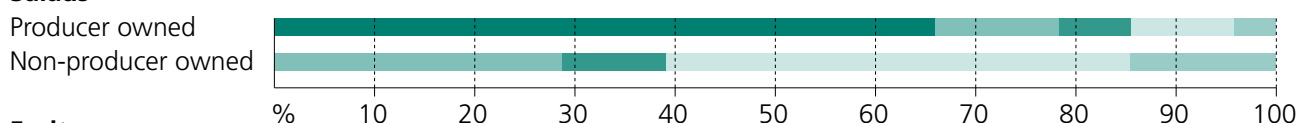
Source of produce sold by farm gate and independent shops 2005

(■ produced on own farm) (■ from local farms) (■ from other UK farms) (■ from wholesalers) (■ imported)

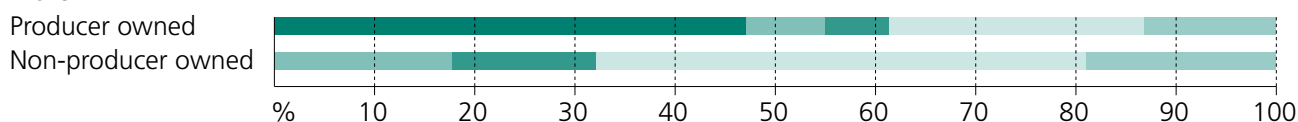
Vegetables



Salads



Fruit



links for sourcing local organic produce in the future. The most frequently used organic products included carrots, beef burgers, pork sausages, milk and yogurt.

In 2005, several Government initiatives were introduced which should strengthen the public sector market for organic produce. These included the UK Sustainable Development Strategy and the Department of Health's *Choosing a Better Diet – A food and health action plan*; the introduction of nutritional standards for school meals; OFSTED school inspections to include school meals; and the announcement that the Government will provide £280 million over three years to support the transformation of school meals. This will increase ingredients spend, staff training and the creation of a School Food Trust. However, other policies may have a negative effect. These include the Gershon efficiency review, menu standardisation in the Better Hospital Food initiative, and hospitals being built without kitchens through the Private Finance Initiative.

Demand for the Soil Association's Food for Life action pack for school meals is indicative of the growing level of interest in developing this market, with over 4,000 copies being sent out to date. Schools and hospitals are increasingly becoming a focus point for more innovative sales strategies. For example, some innovative box scheme suppliers are using schools and hospitals as distribution points so parents at schools, hospital patients and staff are able to pick up organic boxes. In addition,

the number of applicants for the Soil Association School Meal Awards increased from five in 2004 to 46 in 2005.

6 ORGANIC CONSUMERS

THREE YEARS AGO APPROXIMATELY HALF OF CONSUMERS WERE KNOWINGLY BUYING ORGANIC FOOD. THAT FIGURE HAS NOW RISEN TO 65.4%, NEARLY TWO IN THREE SHOPPERS

A CLEAR MAJORITY OF CONSUMERS WOULD PREFER TO BUY A LOCAL NON-ORGANIC OPTION RATHER THAN AN IMPORTED ORGANIC ONE

APPROXIMATELY FOUR OUT OF TEN (44%) ORGANIC SHOPPERS SAID THEY LIKED TO BUY 'DISTINCTIVE ORGANIC BRANDS'



TWO IN THREE

Note: Consumer research for this year's report was conducted by Market Tools Inc. In early 2006 they carried out an Omnibus poll of 1,000 people.

Three years ago it was reported that approximately half of consumers were knowingly buying organic food; that figure has now risen to 65.4% or nearly two in three shoppers. Four out of ten people (41%) are buying organic food at least once a month, while 25% are buying organic food once a week or more. Over 50% of those in the most disadvantaged social brackets – C2, D and E – are now buying organic food and drink. The research found that purchasing is at 57% in the lowest income bracket (those earning under £16,000 a year). Eastern England has the highest proportion of committed organic shoppers, with 39.5% buying organic products at least once a month.

Nine out of ten organic consumers interviewed buy some organic products in the multiple retailers; three out of ten buy at farmers' markets, and two out of ten buy at farm shops. However, only 43% of consumers identified the multiple retailers as their preferred outlet for buying organic products. When asked where they would buy if all outlets were equally convenient, 52% opted for smaller, local suppliers such as greengrocers, butchers, farm shops, farmers' markets and home-delivery box schemes.

Shoppers in the east Midlands were most enthusiastic about the multiple retailers, with 61% indicating that this was their preferred outlet. However, in Wales and the west of England only

26% of organic consumers identified the multiple retailers as their favourite place to shop. Shoppers in London, the south of England and Northern Ireland were the most enthusiastic about shopping at farmers' markets with 26% and 25%, respectively, saying this is where they would ideally like to buy organic food. Home-delivery box schemes were popular in Yorkshire, with 8% of respondents preferring to shop this way – double the national average.

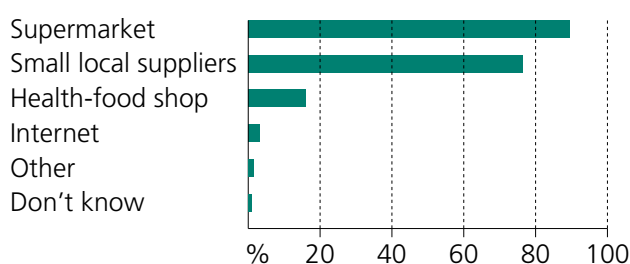
Overall, 84% of respondents thought organic food was too expensive, while 77% of those who bought organic food at least once a month thought it was too expensive. However, 37% of the public (and 63% of regular organic consumers) agreed with the statement that "organic food tends to be more expensive but I think it is a price worth paying." Nearly three quarters of shoppers (73%) agreed that they would "like to see special low-price offers on organic food and drink." However, 30% of those surveyed (and 40% of regular organic shoppers) also agreed that "low-price offers on organic products concern me because I worry about whether the farmer is getting a fair price," while 20% disagreed with this statement.

Four out of five shoppers and 90% of frequent organic shoppers agreed that it was "in keeping with organic values for farmers to be paid a fair price and for farm workers to be fairly treated and reasonably paid." More than seven out of ten shoppers and 83% of regular organic shoppers said they would "expect those producing a product labelled organic to enjoy decent pay and conditions."

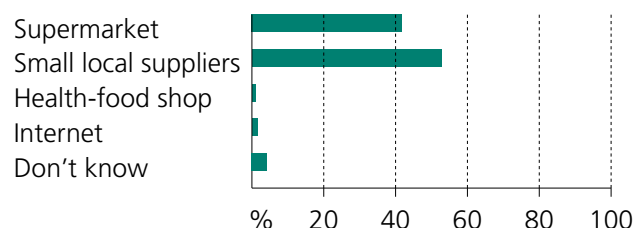
Figure 31

Buying organic food

Where do you buy organic food?



Where would you prefer to buy organic food?



A similar percentage – 70% of the sample as a whole and 82% of regular organic shoppers – felt this was a certification issue and agreed with the statement that “I believe, for a product to be certified organic, that the farmers and farm workers should be getting a fair deal.”

Organic shoppers were also asked whether they would prefer to buy a locally grown non-organic product or an imported organic product. A clear majority of respondents would prefer to buy a local non-organic option. Reasons given included supporting local producers and reducing ‘food miles’. Among those buying organic food every day, support for local producers was still strong

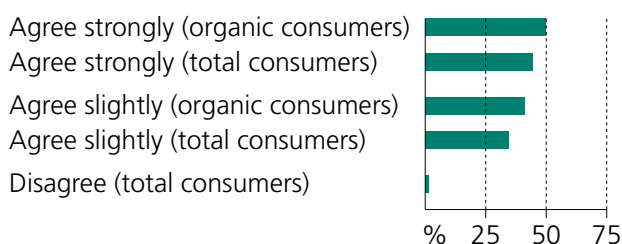
although the proportion preferring the imported organic option was almost four times higher than for the sample as a whole. Health was the biggest reason given (cited by 52%) by those who prefer to buy imported rather than local non-organic produce; however, taste and the environment were also important factors (cited by 39% each).

The research suggests that all shoppers and, in particular organic consumers, are interested in where their food comes from and the ‘story’ behind it. Approximately eight out of ten shoppers (and 91% of regular organic shoppers) said they believed it was important for the country of origin to be stated on product packaging. Over half of

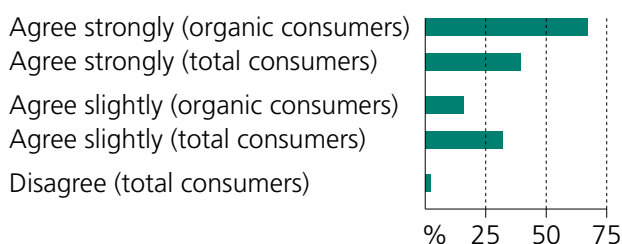
Figure 32

A fair price for organic produce?

In keeping with organic values for farmers to be paid a fair price and for farm workers to be fairly treated and reasonably paid



If a product is organic, I would expect the farm workers who produced it to have decent pay and conditions



I believe, for a product to be certified organic, that the farmers and farm workers should be getting a fair deal

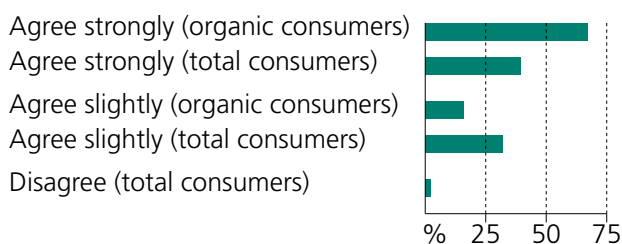


Figure 33

Locally grown non-organic produce or imported organic produce

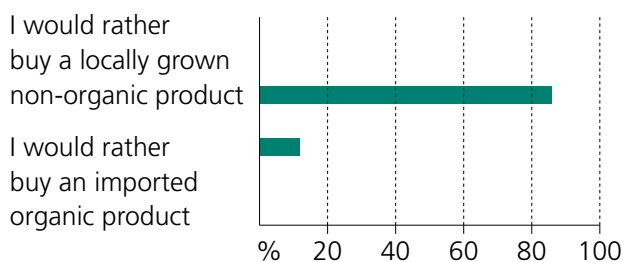
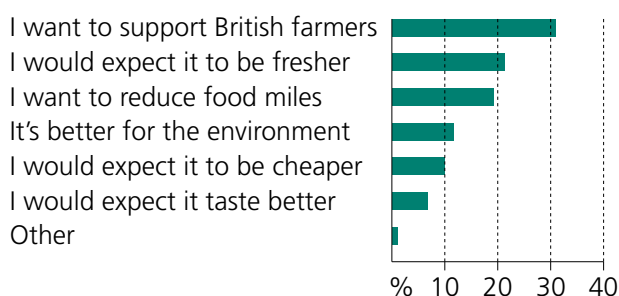


Figure 34

Reasons for preferring locally grown non-organic produce



all shoppers (52%) and four out of five regular organic shoppers (79%) agreed that “I like the packaging to tell me about the farm, where a product comes from and/or the people who produced it.”



CASE STUDY P.71

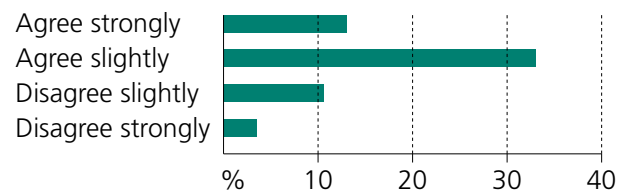
The poll showed there is a real ‘feel-good factor’ in eating organic. While 57% said they enjoyed organic and non-organic food equally, 38% said they found organic food more enjoyable, and 5% enjoyed non-organic food more. This contrast was even more pronounced among regular organic shoppers: 54% said they found eating organic more enjoyable and 2% said this about eating non-organic products.

Approximately four out of ten (44%) organic shoppers said they liked to buy “distinctive organic brands, such as Yeo Valley, Green & Blacks, Clipper, Whole Earth and Grove Fresh,” with 19% expressing a contrary view. In total, 13% agreed with the statement “I have more trust in the supermarket’s

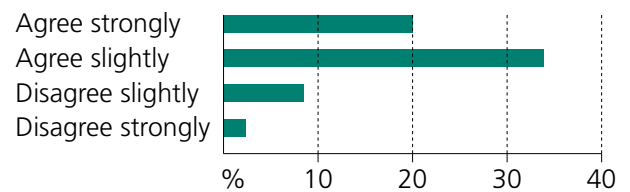
Figure 35

Position in shop of organic produce

I like to see different organic products displayed together in a special organic section



I like organic products to be displayed alongside their non-organic equivalent



own organic products than in organic brand-name products,” while 32% disagreed with this statement.

Of the total number of respondents, 54% agreed with the statement “I like to see different organic products displayed together in a special organic section, as this makes them easier to find.”

However, 46% agreed with the statement “I like organic products to be displayed alongside their non-organic equivalent, as this enables me to compare organic and non-organic prices and products more easily.”

The respondents were asked about five types of organic and natural personal care products: bath products, face moisturisers and cleansers, body lotion, deodorant and cosmetics. No more than 10% of shoppers had tried any of these products; however, more than 50% said they would consider buying them. Respondents were most interested in deodorant products, 58% of respondents said that they would consider buying these.

Of the consumers surveyed, 49% (rising to 75% among regular organic consumers) believed that an organic diet was a healthier diet. Approximately three quarters (and 88% of regular organic consumers) believed organic production is kinder to the environment and wildlife, while only 3% disagreed with this statement. Only 9% disagreed with the statement “animal welfare is of higher quality on organic farms”, whereas 52% (and 72% of regular organic shoppers) were convinced of the animal welfare benefits.

Four out of ten people said they had more trust in organic food, with 17% disagreeing. Among regular organic buyers the percentage agreeing rose to 70%, with only 5% expressing a contrary view.

7 CASE STUDIES

"AS SUPPLIERS OF PRIMARY PRODUCTS, SUCH AS YOGURT, MILK, AND BUTTER – WE SEE IT AS A RESPONSIBILITY FOR YEO VALLEY TO PROMOTE HEALTHY FOOD."

"BLUE SKIES DO EVERYTHING TO AVOID THE TRAP OF STATUS AND IT ALMOST SOUNDS TOO GOOD TO BE TRUE, BUT IT IS VERY DIFFICULT TO TELL WHO HOLDS A POSITION OF AUTHORITY. NO ONE CLOCKS IN AND WE NEVER SEARCH PEOPLE AT THE GATES. IT IS SIMPLE – WE TRUST AND RESPECT EACH OTHER."

"GREENFIBRES IS BASED ON VERY STRONG ETHICAL, ORGANIC AND ECOLOGICAL PRINCIPLES – QUITE SIMPLY, WE WANT TO BE PART OF THE SOLUTION, NOT CONTRIBUTING TO THE PROBLEM."



7.1 Blue Skies Holdings Ltd

In the late 1990s, Anthony Pile's vision was to set up a network of ethically run businesses in Africa and Egypt that would grow, harvest and transport a wide range of fresh fruit to Europe. In just a few years his company, Blue Skies, became the first international Soil Association Ethical Trade licensee and his business is booming.

The organic story began in Ghana where Anthony discovered an unusual type of pineapple, called the Sugarloaf. The locals loved it for its particularly sweet taste and had grown it on their hillsides for hundreds of years. Yet it was not a fruit that had been brought into the European market, largely because it had a high sugar content and low acidity which made it hard to preserve for any length of time. It was also a rather anaemic white colour, rather than the rich yellow typically associated with pineapple.

Anthony was fascinated by the fruit and started talking to farmers about how and where the fruit grew. There was no 'conventional' agriculture in this very poor part of Africa and only one main road, with a labyrinth of small tracks connecting the villages. Farming was almost entirely subsistence, with no chemicals or pesticides being used. Anthony was excited at the possibilities and invited the Soil Association to visit; organic certification soon followed.

It soon became evident that the locals were keen to work with Blue Skies. They responded positively to a business based on trust and mutual respect, making recruitment for the new company easy.

The business began in 1998 on a small scale, exporting 2–300kg/week of cut pineapple to the UK market. By 2005, the Sugarloaf was a major product, with 23 tonnes travelling abroad. Blue Skies Sugarloaf pineapple was the very first organic cut pineapple on the market and the British consumer loved it.

2005 was a year of considerable growth with a product launch in the Netherlands. The Dutch market responded very positively to this unusual looking, sweet tasting, fairly traded and organic fruit. The Blue Skies farmers in Ghana were keen to expand and last year they planted a whole range of organic fruits, including mango, papaya, passion

fruit and a different variety of pineapple. Blue Skies had found a way of cooling the pineapples very quickly without compromising the taste or integrity of the fruit. This was an important innovation and meant the Sugarloaf could be exported whole, as well as in chunks. Waitrose became the first UK retailer to sell whole organic pineapples. Blue Skies are currently looking into alternative transportation for the whole fruit in order to reduce the retail price and are hoping to supply Waitrose with an organic fruit salad.

"We see the farmers on a daily basis and so our relationships are very strong. This is how we can be such an innovative business because we communicate, we listen and we can respond fast," comments Anthony.

Blue Skies has enjoyed steady growth of 25–30% each year and has been at the cutting edge of the fresh, organic fruit industry since its conception. As well as the pioneers of organic pineapple, Blue Skies was the first company to bring pomegranate juice to the market and last year launched a new, and highly successful, fresh coconut snack.

"We genuinely operate as a seamless society," Anthony explains. "We do everything to avoid the trap of status and it almost sounds too good to be true, but it is very difficult to tell who holds a position of authority. No one clocks in and we never search people at the gates. It is simple – we trust and respect each other."

Blue Skies works with four villages and has helped to develop an infrastructure. There are 1,400 people employed in three factories. There is now a crèche, an internet café, a medical clinic, a library, and a restaurant; a well and sports ground are also under construction.

Although the organic side of Blue Skies' business amounts to just 10%, Anthony is very keen to see it grow to at least 50%. He is a passionate advocate for organic production, is very involved with the Ethical Standards committee, and is keen to push the boundaries of the ethical organic label.

Blue Skies has taken its progressive business model to Egypt and to South Africa where it has been met with similar enthusiasm and success.

"In our small way, I really believe that Blue Skies is doing something very good for Africa," says



BLUE SKIES HOLDINGS LTD

CASE STUDY

CASE STUDY

LET'S DO LUNCH



Anthony. “I believe the healthiest way to invest in these countries is through industry and by working in real partnership with them. We are nurturing from the very bottom and operating in a way that is sustainable. And let’s not forget, we are bringing healthy, great tasting fruit to Europe.”

7.2 Let’s do Lunch

In November 2003, Pam Shipperbottom and Laura Isley received a letter from their children’s school, informing them that the school kitchen was closing. Having read an article about dinner lady Jeanette Orrey and the Soil Association’s campaign to get organic, local and fresh food into school canteens, Pam decided to do something about the closure of Lethbridge Primary School’s kitchen.

Pam was passionate about organic and was convinced local farms and suppliers could provide fresh, local and organic produce directly to the school. They organised a meeting with Jeanette Orrey and asked the Soil Association for help. Pam and Laura made the decision to form a limited company and to employ people to cook and serve high-quality fresh, organic food. In 2004, Let’s do Lunch was created and served their first school dinner. Just one year later they won the Best School Dinner Award (sponsored by Body & Soul, *The Times*).

Pam and Laura’s aim was to offer school dinners with 90% unprocessed, 80% organic and 65% locally sourced ingredients. In the beginning it seemed that organic meat might be too expensive to include on the menu, but the Soil Association helped with supplier negotiations and worked out a special school pricing structure. Organic producer and processor Sheepdrove Farm agreed to offer schools a lower wholesale price to enable Pam and Laura to afford it. Coleshill Farm also agreed to provide organic vegetables at special prices, and a host of other local suppliers followed suit. The menus include old favourites like chips, and salt and sugar are used, but in moderation. The food is both traditional and cosmopolitan, so there are roast dinners and pasta dishes but also more exotic dishes from Mexico and the Middle East. “We simply couldn’t have been so successful without the support of our suppliers. They have been and continue to be fantastic,” comments Pam.

Pam and Laura began a campaign to educate parents about the provenance of the food served.

Meetings were held with teachers, parents, children and governors. Additionally, organic suppliers and farmers got involved, Coleshill Organics came to school assemblies for special carrot tastings, Sheepdrove Farm gave talks about biodiversity and organic farming, leaflets were created for parents to read and every effort was made to encourage parents and children to visit farms and suppliers. Let’s do Lunch launched a ‘world awareness week’, which was successful in generating enthusiasm for international cuisine. The Lets do Lunch team created an array of snacks and tasters from different countries and continents, which were reflected in the daily lunch menu throughout the week. In addition, Pam and Laura ran a menu competition and the winner joined them in the kitchen to help prepare the menu and serve it to the other children.

Before Let’s do Lunch took over the catering at Lethbridge primary school, only 40 children had school meals. This immediately increased to 83 pupils and within six weeks the number had risen and remains a staggering 267 (out of 487 pupils). In 2005/06 Let’s do Lunch took over the kitchens in King William and Lawn primary schools. At King William the number of children eating school meals increased from 60 to 80 (out of 140 pupils) and at Lawn it increased from 81 to 268 in just one week. In 2005, the kitchens were restructured to be self-managing. Each kitchen operates a three week menu rotation system and meals cost £2 each.

The success of the campaign can be attributed in part to the comprehensive marketing and campaigning that Let’s do Lunch started three months prior to launch. “It’s a hive of activity, we run feasibility studies, questionnaires, talks, tastings and then we take bookings for our first day. I guess this is where my marketing experience really helps,” comments Laura.

The NHS have now approached Pam and Laura to contribute to a booklet promoting organic and wholefoods, and they are considering the idea of diversifying into organic events catering in the future.

7.3 Balta Island Seafare Ltd

Chris Ritch, founder of Balta Island, has lived in Shetland all his life. In 1987, he started a small,

CASE STUDY

BALTA ISLAND SEAFARE LTD



family-run fish farming business and in the late 1990s he became involved in the development of organic aquaculture standards. In 1999, Balta Island Seafare Ltd became the first salmon farm in the UK to gain organic certification.

“I wouldn’t say that the organic conversion process was easy, but it wasn’t a major problem because our fish were already bred in exceptionally good conditions. I would say the main benefit of becoming certified has been to give us a clear differential in the market,” explains Chris.

Balta Island salmon are reared in ideal conditions. Stock densities are low with fish housed in 50–70m circumference pens off the Shetland coast. The sites are situated at a point where the Atlantic Ocean and the North Sea converge creating a powerful tidal current. The water quality is excellent, with no pollution and a stable temperature of 6–13°C.

For years the organic aquaculture supply network was under-developed, and the number of processors who purchased Balta Island’s salmon was limited. More recently, there has been a period of rapid growth resulting in greater demand from a wider range of customers. Balta Island organic fish are now sold across Europe, as well as to other producers in Shetland.

The company has a number of committed customers, some of whom have been purchasing fish from the company since it began. The business has required little or no marketing. The reputation of Balta Island fish, and the fact that the fish are certified as organic, has been enough to get the attention of potential customers. “What sells the fish is the fact that they are organic. The level of awareness of organic – and the subsequent demand – has grown out of all recognition. Demand now out-strips supply, which is quite a shift,” explains Chris. Previously, Balta Island had over-estimated the volume of organic fish that could be sold and fish were retailed at vastly reduced prices, making a loss for the company. In 2005, Balta Island sold all their fish stock at a premium price for the first time – selling out of organic fish between July and September.

In 2005, a second hatchery, linked to Balta Island, was certified organic, significantly increasing the business’ stock levels. Balta Island supplies eggs and brood fish to the hatcheries, who rear them until

they are ready to be transferred to pens in the sea. With the second hatchery now open, 120,000 organic salmon – an increase of 70,000 fish – will be produced for market each year.

Balta Island is building new pens to accommodate the increased levels of production and will employ a new full time member of staff and possibly a student during their busy periods. Chris states that after this expansion the company will not be looking to grow any further. “120,000 smolts each year will be the limit, and I am very happy with that. I am not greedy, and have accomplished what I set out to do. We have built a good reputation for the business and have shown that small-scale, sustainably managed sites are viable. That is all I ever wanted to achieve.”

7.4 Greenfibres

In 1996, William and Gabriela Lana left jobs in the financial sector to set up Greenfibres. The couple worked with the Soil Association to help set up the first UK organic textile standards and they were subsequently involved in the launch of the Soil Association’s textiles standards committee in 2002.

The business has a wholesale side, as well as a retail shop and a mail order scheme. Greenfibres sell a range of organic and natural textiles including men’s and women’s wear, baby clothes and nappies, bedding, towels and organic mattresses. “We wanted to inspire people to join us – either by buying our products or setting up new businesses within the ethical sector” comments William. “Greenfibres is based on very strong ethical, organic and ecological principles – quite simply, we want to be part of the solution, not contributing to the problem.”

All products are sourced as locally as possible and bought for a fair price. Suppliers are chosen for their business values; organic textiles are bought from ethical sources and packaging and paper is recycled and biodegradable. “Being so conscious about our choices, down to every detail, can be tough at times – I sometimes struggle with IT hardware! But I do believe we need to walk our talk as much as we can,” explains William.

In 2005, Greenfibres launched three new organic ranges: towels, socks and the UK’s first certified

organic underwear. The business has grown steadily with sales increasing annually by 30–35%. The growth of the organic textile market, which currently represents just 0.1% of the entire textile market, is something Greenfibres is extremely positive about. “When companies like People Tree and Gossypium start to supply high profile retailers like Top Shop, it is music to my ears,” declares William.

The success of the business can be attributed to a number of factors, including the development of strong product lines, constant re-investment in the business, and innovative marketing strategies. Greenfibres set up the EEMG (Ethical & Environmental Market Group), made up of green organisations, to jointly promote and increase awareness of products and services that offer clear ethical or environmental advantages. For example, by pooling resources the group can take out bigger and higher profile advertising and gain a level of exposure that they could not afford alone.

After 10 years in business Greenfibres employ 18 people. The company are constantly developing new lines and encouraging others to develop new businesses. “Despite the dramatic rise in popularity of organic skincare products, there are still very few organic perfumes,” adds William. “I’d also love to see such things as organic wool carpets and why not organic school uniforms for kids? I see an important part of the role of our business as bringing attention to new areas.”

7.5 Yeo Valley

Yeo Valley launched its first organic natural yogurt 12 years ago. One of the key issues faced by the organic sector at the time was the sustained sourcing of organic ingredients, which were in short supply. Even when demand was small, ingredients were limited so increases in processing were often difficult to sustain.

To overcome this Yeo Valley realised that they needed to introduce a fair and profitable agreement with organic producers. It was hoped that this would encourage more farmers to become organic by guaranteeing them a profit. To secure a steady milk supply for its business Yeo Valley helped to form OMSCo (The Organic Milk Supplies Co-operative), which is now the country’s largest group of organic farmers in the UK, with approximately

300 members. Today 80 members of OMSCo are long-term suppliers to Yeo Valley giving the company full traceability of its milk supply.

Yeo Valley’s marketing director Ben Cull comments: “We have always wanted to encourage farmers to convert to organic and believed that the way forward was to work together as closely and fairly as we could. The formation of OMSCo has proved to be a critical factor in our business – both in terms of our ethical and our economic success.”

This business approach has been replicated as they have sourced other ingredients. Fruit farmers in both the northern and southern hemispheres enjoy the benefits of long-term contracts and trading at fair prices.

In the early days, Yeo Valley products were mostly supplied to small, predominantly specialist retailers. Now they are widely available in convenience stores and multiple retailers. In five years the brand has grown from £20 million to a remarkable £70 million and this rapid growth continues to outpace the dairy market as a whole.

In 2004, a large number of farmers converted to organic production due to the price premium available. Yeo Valley were concerned about the potential oversupply causing a price crash so decided to diversify into other markets and began producing organic milk and cheese.

“We take being an organic business very seriously. Part of that involves communicating friendly farming techniques to the consumer; we want them to know about our views on animal welfare and the provenance of our products. As suppliers of primary products, such as yogurt, milk, and butter – we see it as a responsibility to promote healthy food.”

Critical to Yeo Valley’s success is its pricing policy. The business does not operate with large margins. This ensures that retail prices have remained competitive, explains Ben: “To be in a situation where organic yogurt is out-selling its non-organic counterparts is incredible – it is a milestone, but that is what has happened. Our natural yogurts are now the most popular in the total market. It shows just how far attitudes have changed; organic is now part of the mainstream. People clearly want to consume everyday products like yogurt that are produced organically and ethically.”



YEO VALLEY

CASE STUDY

CASE STUDY

BUDGENS



7.6 Budgens

The Musgrave family has owned Budgens for more than 120 years, although each shop is owned and managed independently.

Budgens noticed the increase in consumer demand for organic food and, in 2005, they decided to retail organic produce. “There is a huge demand for organic,” comments Budgens’ head of buying, Steve Carter. “In just one year, sales are up 30% for our organic ranges and they look set to continue growing. We are delighted to be positively contributing to the growing interest in healthy, fresh organic food.”

To meet supply, Budgens gave organic businesses a level of responsibility for each food category. For example, Lloyd Maunder supplies the meat, Yeo Valley the dairy, Organic Farm Foods the fresh fruit and vegetables, and Duchy Originals the bread and biscuits. This has a number of benefits as suppliers and producers are able to grow and expand their business within a cooperative model, allowing Budgens to work more closely with suppliers to develop new lines, enhance packaging and improve in-store point of sale. Budgens are keen to illustrate the provenance and authenticity of organic produce by telling the growers’ stories on the packaging and at point of sale. Steve explains: “People need to trust the produce and we see our role as that of helping customers to understand the growers and producers.”

Budgens has run ‘multi-buy’ promotions with Yeo Valley products, creating an organic entry point for consumers in the belief that people who try one product will then buy others. They meet with organic suppliers and producers on a quarterly basis to review the business, consider innovation within the various food categories, and identify new organic lines. “We are investing financially in organic but we are also investing in terms of our time.” According to Steve: “I spend a great deal of time with our organic growers and producers. We are well aware how much they have invested in converting to organic farming and in gaining certification. We are in it for the long term just as much as our suppliers.”

To develop the market, Budgens abandoned minimum orders for organic meat. This enabled retailers to reduce the financial risk and order just

one organic item, such as a single chicken if they wanted to. In just a few months organic sales increased by approximately 50%. Overall, organic, ethically produced and free-range food sales are increasing, while non-organic food sales are declining.

“We were well aware that organic produce, particularly organic meat is a relatively new concept for most of our retailers,” Steve comments. “Introducing something so different into stores needed a careful launch. We did everything we could to support our stores and for us it was about being flexible with order levels. We wanted retailers to gain confidence in organic produce.”

Budgens recently acquired the Londis chain of convenience stores and have introduced organic dairy products in the shops. They are in discussion with an increasing number of suppliers to meet the growing demand for organic products. “We want to spend more time with growers and producers,” concludes Steve. “I believe that the closer we get to the farmers, the more we can all benefit. We are very excited by the uptake of our organic ranges and we want to take it as far as we can.”

7.7 Organics to Go

In 1999, Roger Hallam set up the box scheme, Organics to Go, after moving to Werndolau Farm in Wales to grow his own vegetables. It soon became clear that he could not grow enough to meet demand and so formed relationships with eight local organic producers.

Organics to Go has also developed a strong relationship with French co-operative, Inago, who source produce from organic growers in Morocco and Spain; this ensures year-round supply for the boxes. “When growers network together, they are perfectly capable of competing with supermarkets,” Roger comments. “It is all about getting organised and this is what Organics to Go has done. In some ways we are like a hub for a myriad of smaller businesses.”

In 2005, the Welsh Development Agency gave Organics to Go a marketing grant, which was used to promote the business. The company attends food shows, farmers’ markets and sends canvassers out to drum up business. A new website was launched, allowing customers to order on line. There is no

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ORGANICS TO GO



minimum requirement; people can order what they want from 40 lines of organic fruit and vegetables. Much of the produce is local and in season, some is imported, tropical and exotic. Organic dairy produce is also available, and there are plans to include meats. It is a complex ordering system that provides numerous smaller businesses with marketing and distribution systems that really work.

Organics to Go is growing by 25% a year and they currently supply approximately 3,000 boxes a week. Roger also buys up failing box schemes. “Businesses usually fail because they don’t have the level of contacts in place that we do. Their produce may be excellent but where we have scored is in our network and distribution channels. We are very organised!”

Organics to Go call customers to ask them for their order, which helps to ensure an order is placed and makes for very good customer service. Alternatively, customers can call or order by email. Boxes are delivered the day after ordering so customers can order whatever they need, rather than having to plan ahead. Customers can also order a more traditional set-price weekly box. “Organics to Go offers total choice to the consumer,” Roger explains. “People can order whatever they like and get it the next day. If they’ve just run out of a few things or suddenly have to cater for a dinner party, we can respond to meet that need. Or if it’s the normal weekly shop, we can guarantee the produce will be regularly available and the quality will always be high.”

To make this possible, Organics to Go organise cropping in the mornings, picking and packing in the afternoon, and make all deliveries overnight to miss the traffic. This also ensures that produce arrives on time.

Organics to Go currently deliver to north and south Wales, London, Bristol and the surrounding areas. In the future, the company is keen to franchise the business. They have already established a franchise in Manchester and are keen to develop further along the M4 corridor – and beyond.

APPENDICES

A1 Box and mail order schemes

Note: for more information see 'A3 Methodology'.

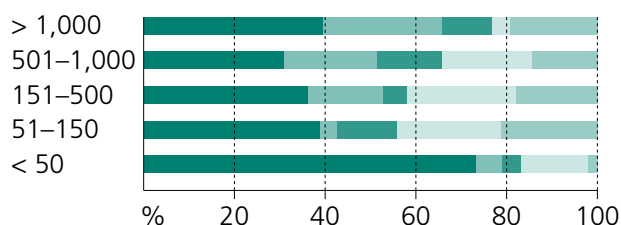
Figure 36

Source of produce sold in producer owned mail order and box schemes 2005

(■ produced on own farm) (■ from local farms) (■ from other UK farms) (■ from wholesalers) (■ imported)

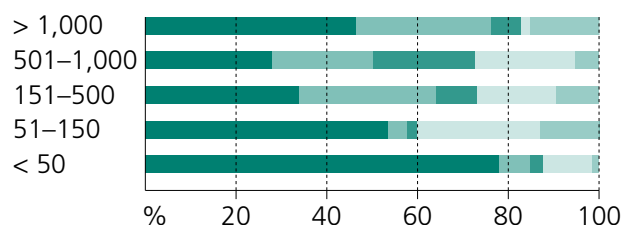
Fruit & vegetables by no. of boxes sold

(based on 135 vegetable producers)



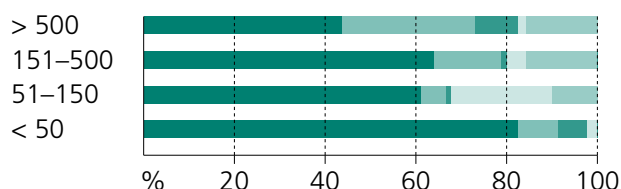
Vegetables by no. of boxes sold

(based on 58 vegetable producers)



Salads by no. of boxes sold

(based on 49 salad producers)



Fruit by no. of boxes sold

(based on 40 fruit producers)

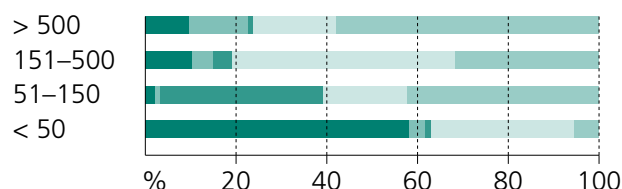


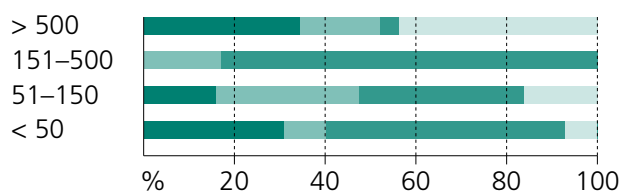
Figure 37

Source of produce sold in non-producer owned mail order and box schemes 2005

(■ from local farms) (■ from other UK farms) (■ from wholesalers) (■ imported)

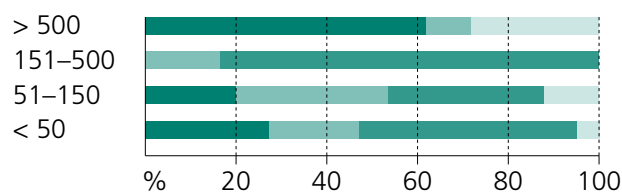
Fruit and vegetables by no. of boxes sold

(based on 49 respondents)



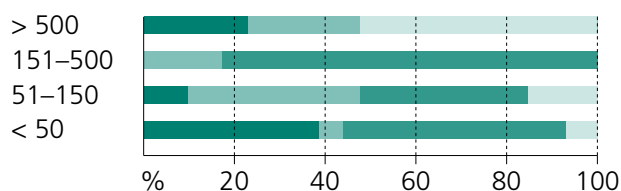
Vegetables by no. of boxes sold

(based on 17 respondents)



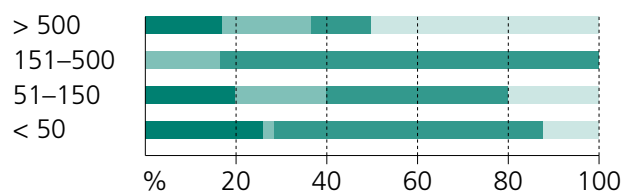
Salads by no. of boxes sold

(based on 21 respondents)



Fruit by no. of boxes sold

(based on 19 respondents)



A2 Agricultural production in the UK

Note: for sources see 'A3 Methodology' and 'A4 References'.

Total (organic and non-organic) production figures from Defra 2005.²⁸ Organic production figures are from a range of sources used in this report.

Table 25

Organic production in relation to the total agricultural production in the UK

Total land area				Potatoes			
	2003	2004	2005		2004	2005	
Total area (ha)	18,467,000	18,437,000	18,509,000	Total area (ha)	149,000	137,000	
Organic area (ha)	726,400	688,373	686,101	Organic area (ha)	1,886	1,805	
% organic	3.9%	3.7%	3.7%	% organic	1.3%	1.3%	
Cereals & arable				Fruit			
Total area (ha)	4,151,000	4,269,000	4,136,000		2005		production value (£m)
Organic area (ha)	48,495	51,233	47,428	Total area (ha)	26,000	366	
% organic	1.2%	1.1%	1.1%	Organic area (ha)	1,580	22	
Horticulture				% organic	6.1%	5.9%	
Total area (ha)		314,000	306,000	Milk			
Organic area (ha)		7,710	8,522	(million litres)	2003	2004	2005
% organic		2.5%	2.8%				production value (£m)
				Total	14,577	14,208	14,147
				Organic	335	322	330
				% organic	2.3%	2.3%	2.3%

Table 26

Meat production (slaughter figures per head/bird)

Beef	2004	2005	2006	<i>production value (£m)</i>
Total	2,273,000	2,324,000	2,393,000	1,529
Organic	18,500	19,284	27,358	19.7
% organic	0.8%	0.8%	1.1%	1.3%
Lamb				
Total	15,265,000	15,203,000	15,529,000	654
Organic	150,000	158,912	205,238	12.3
% organic	1.0%	1.1%	1.3%	1.9%
Pork				
Total	8,989,000	8,805,000	8,711,000	673
Organic	50,000	47,000	56,487	8.3
% organic	0.6%	0.5%	0.7%	1.2%
Table birds				
Total	882,000,000	882,000,000	903,000,000	1,309
Organic	4,250,000	5,744,804	8,905,785	89
% organic	0.5%	0.7%	1.0%	6.8%

Table 27

Retail sales of food and drink 2005²⁹

	<i>£ billion</i>
Total	118
Organic	1.6
% organic	1.3%

A3 Methodology and data sources

Unless otherwise stated all data refers to the calendar year 1 January to 31 December 2005.

Organic food & farming worldwide

- *The Americas, Asia, Oceania and Africa*
Sections contributed by Organic Monitor.
- *Organic food and farming in Europe*
Section contributed by Institute of Rural Studies, University of Wales.

Organic farming in the UK

- *Organic land area, number of producers and regional distribution*
Collected by Defra from the certification bodies. Non-cropping land has been removed.
- *Average organic farm size*
Organically managed land area divided by number of producers in each region.
- *Organic arable, horticultural, egg and meat prices*
Taken from 'Eye on the market' in *Organic Farming* magazine, spring–winter 2005.
- *Organic vegetable production*
Information is not based on the Defra funded *Study of the UK Organic Vegetable Market* as in previous years, but has been estimated by HDRA from reports from organic vegetable growers, pre-packers, wholesalers and direct sellers.
- *Breakdown of tonnes produced and farm gate value for UK organic fruit*
HDRA estimated yields and prices based on Defra area data.
- *Production of organic meat 2005*
In January 2006, a questionnaire was sent to all licensed organic abattoirs in the UK. A 57% response rate was achieved. Non-returns were estimated using industry knowledge/telephone interviews.
- *Farm gate value of organic meat 2005*
Average price from 'Eye on the market' in *Organic Farming* magazine, spring–winter 2005. Average weight estimated using industry knowledge and the *Organic Farm Management Handbook 2004*.³¹
- *Organic farm income data*
Section contributed by the Institute of Rural Studies, University of Wales.

Processed food and drink

- *Number of organic processors and regional distribution*
Collected by Defra from the certification bodies.

Retail sales and imports

- *Multiple retailers sales, imports and annual growth*
Questionnaires were sent to Waitrose, Sainsbury's, Somerfield, Morrisons, Marks & Spencer, Tesco, Asda, Budgens and the Co-op in May 2005. A response rate of 89% was achieved. TNS data was used to calculate the missing retailers' share of the organic market. Annual growth of organic products based on data from five multiple retailers. Not all retailers list produce from every category. 2005 import figures based on data from three multiple retailers.
- *Producer and non-producer owned organic sales*
Questionnaires were sent to all producers and processors licensed with SA Certification, Organic Farmers & Growers, Scottish Organic Producers Association, Demeter and additional producers and processors listed in the *Organic Directory* in February 2006. Based on numbers listed in the *Organic Directory* the following response rates were achieved: 18% box and mail order schemes and 24% farm gate and retail shop sales. For each outlet type the sample was split into producer owned outlets and non-producer owned outlets. Data was grouped according to annual turnover (small, medium and large). The percentage of the sample that fell into each group and average sales value was calculated. The total population for each outlet was taken from the organic directory (520 box schemes, 522 mail order schemes, 644 retail shops and 340 farm shops/gate sales). The percentage of the sample that was small, medium and large was applied to the total population. The sample was multiplied up to represent the total population using the average sales value for each group (small, medium and large) for each enterprise type. For each outlet type the estimated sales value for producer owned schemes was added to the estimated sales value for non-producer owned schemes to give a total retail sales value. Box and mail order schemes, farm shops and retail shops with unrepresentative organic turnovers were not used to represent the entire population. Total sales value for these very large outlets was added to the final calculation at the end. The National Farmers' Retail & Markets Association estimated total farmers' market turnover in 2005, and the percentage of organic stallholders (10–15%).
- *Box/mail order scheme and farm shop/retail shops*
Data from the producer and processor questionnaire was used.

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Yeo Valley Organic is one of the few companies in the UK to have received a Queen's Award for its work in encouraging sustainable farming. It is the country's most successful and innovative organic dairy brand and is dedicated to the production of high-quality organic food at prices that are as competitive as possible with non-organic brands.

The company's philosophy is to buy British wherever possible. Its support for British dairy farmers has encouraged more and more to turn to organic food production, which is beneficial to the countryside, the cows producing its milk and the farmers it has enabled to take the road to organic conversion. The milk it uses to produce its growing product range comes from around 80 organic farms in the Southwest, which are all members of OMSCo.

Though only entering the organic food business 10 years ago, Yeo Valley Organic's reputation for great-tasting, natural, organic products has helped to make it the market leader. From its early days as a dairy farm, adding value to the milk it produced by turning some of it into yogurt which was sold at the farm gate, Yeo Valley Organic's products are now available throughout the country and its range of organic food includes award-winning yogurts, milk, cheeses, cream, crème fraîche, butter, children's yogurts, fruit compotes, ice cream and frozen yogurt and desserts.

More information on the company and its products is available at www.yeo-organic.co.uk



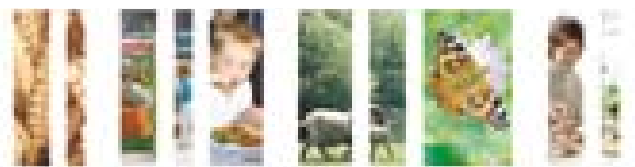
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The Soil Association is an independent membership charity and one of the UK's most respected environmental groups, playing a crucial role in the transformation of attitudes to food and farming in the UK and internationally. Working with the public, farmers, food processors, retailers and policy makers, it aims to bring about change by highlighting the relationship between a healthy, living soil and the well-being of plants, animals, people and the environment. It promotes and supports organic food and farming as a sustainable alternative to intensive agriculture through a wide range of activities:

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Promoting local food

Supporting initiatives such as box schemes, farmers' markets, cooperatives and community supported agriculture.

Transforming food provision in schools and hospitals

Establishing healthy, local and organic food schemes in partnership with public institutions, to improve public health.

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