

Soil Association organic market report 2005



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Foreword

This report shows that public demand for organic food is still growing. In a year when many retailers struggled as their sales stagnated, sales of organic food and drink bucked the trend and again increased by more than 10%. There is a growing market for clothing made with organic textiles and for organic health and beauty products, reflecting an increasing awareness of the health issues associated with what we put on our skin and the environmental cost of non-organic cotton production.

There are encouraging signs, too, that the appeal of organic food is extending beyond higher earners and the middle classes, with over half those in lower income groups now buying some organic products.

Business is booming for farmers' markets, farm shops and home-delivery box schemes, where sales of organic food increased by a third last year exceeding that of the multiples for the second year in a row. Independent retailers were also particularly successful, adding 43% to their organic sales.

It is clear that more and more people are eager to obtain the freshest organic food possible and cut down on the environmental pollution caused by 'food miles'. As retailers respond to this growing demand, it is becoming possible to do a complete organic shop via independent stores, posing an increasing challenge to the major supermarkets where around three quarters of organic products are currently sold.

There are however, underlying concerns; downward price pressure operating in the non-organic food market continues to affect organic commodity prices. As a result, despite the buoyancy of the market, many organic producers are struggling to make a profit or break even. The trend, identified last year, towards larger, more mechanised, organic farms producing competitively priced crops and undercutting smaller units persists, as the average organic farm size in the UK continues to increase.

Some supermarkets are raising their game, increasing their organic ranges and introducing innovative biodegradable packaging. In one important area, however, the multiple retailers are collectively going backwards. The proportion of organic food derived from imports actually increased by 1% in 2004, mainly because of an over-reliance on imported beef and pork.

These imports may be cheaper, but they mean increased food miles, and are often produced to lower animal welfare standards. The supermarkets favouring imported organic beef and pork are out of step both with the concerns of their organic customers and with the Government's Organic Action Plan, which wants to see 70% of the organic food consumed in the UK being produced here by 2010. After two consecutive years in which little or no progress has been made, the Government must continue in its efforts to get the major retailers to take its targets seriously.

The Soil Association has further increased its efforts to press for better school meals and a fairer price for British farmers. We are starting to see results – with Government pledges to increase money spent on school meals, and to reward organic farmers, particularly for environmental stewardship of their land. We shall continue to press our case with the Government and the public. Only by increasing awareness can we ensure that the market for organic food continues to grow bringing with it the health, environmental and wildlife benefits that are at the core of what we are.



Patrick Holden
Director, Soil Association

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Executive summary

- In 2004, retail sales of organic produce were worth an estimated £1.213 billion
- Retail sales made through box schemes, farm shops and farmers' markets increased by a third and sales through independent retailers increased by over 40%
- The UK market for organic food and drink grew faster than the world market as a whole – global sales of organic food and drink grew by an estimated 7–10% in 2004, totalling £15.5 billion
- By January 2005, 686,100 hectares of land were managed to organic standards across 4,010 organic and in-conversion holdings in the UK, with notable increases in consumer demand for organic milk, poultry and eggs.

Chapter 1

Organic food and farming worldwide

- Global sales of organic food and drink grew by an estimated 7–10% in 2004, totalling £15.5 billion. Western Europe accounted for over half of this amount
- The area of organically certified land in the new European Union increased by approximately 1.6% to a total of just over six million hectares.

Chapter 2

Policy in the UK

- The new European Action Plan for Organic Food and Farming was launched in June 2004 and both the English and Welsh Organic Action Plans were renewed
- In recognition of the environmental benefits organic farming delivers, in January 2005 the Government introduced an enhanced income payment for each organic farm under its new Single Payment Scheme
- The Soil Association's policy agenda in 2004 was dominated by lobbying for healthier school meals and better food education through the Food for Life initiative. Food for Life has been influential in securing Government commitment to improve nutritional standards and spend more on the meals.

Chapter 3

Organic farming in the UK

- The area of fully certified land increased in 2004, with particularly strong growth in horticultural and arable production (4.5% and 5.7% respectively). By January 2005, 686,100 hectares of land were

managed to organic standards across 4,010 organic and in-conversion holdings

- The total area of fully organic land increased by 0.6% to 634,222 hectares. However, uncertainty surrounding the planned introduction of the Single Payment Scheme contributed to a 10.7% reduction in the area of land going into conversion
- 2004 saw strong signs of recovery for the organic milk market, further bolstered in early 2005 by significant media coverage of the health benefits of organic milk
- The UK organic egg market was worth over £17 million in 2004, with some egg packers reporting double-figure sales increases to the major supermarkets. Organic poultry production is also expanding strongly, with a 35% increase on the number of birds produced in 2004
- In England, the Southwest still has the largest number of organic and in-conversion producers (25%) but the Northeast and Yorkshire saw the highest growth in 2004 (7% and 4% respectively)
- The most dramatic expansion of organic farming was in Wales, where the area of organically managed land increased by more than 12%.

Chapter 4

Retail sales and imports

- In 2004, retail sales of organic products were worth an estimated £1.213 billion – an annual growth rate of approximately 11%
- Sales of organic products through direct and alternative markets such as box schemes, farm shops and farmers' markets increased by a third, while sales through independent retailers rose by 43%. Supermarket sales continued to grow but at a much slower rate than in previous years
- While consumer demand for local food continues to grow, 2004 saw a 1% increase in the contribution made by imports to the volume of organic food and drink consumed through supermarkets in the UK. The key factor in this was a switch away from UK-produced pork and beef by some of the leading multiple retailers.

Chapter 5

Processed food and drink

- In January 2005 there were 2,028 organic processors in the UK, a 4.5% increase on the previous year. Of these 84% are based in England, 9% in Scotland, 6% in Wales and 1% in Northern Ireland
- Despite a static birth-rate in 2004 sales of organic baby food continued to grow, with an increase

in market value of 6%. Organic baby food now accounts for 43% of the total baby food market.

Chapter 6

Non-food products

- There is now a diverse range of organic textile products on the market, with a growing number of companies trading solely in organic and fairly traded materials
- 2004 saw an increased demand for organic health and beauty products. The area of UK organic land devoted to herb production grew by over 200%, and demand for health and beauty ingredients was a significant factor in this. Larger cosmetics firms are now showing an interest in entering the growing organic market which until now has been dominated by small independent companies.

Chapter 7

Catering and public procurement

- The market for organic caterers continued to develop in 2004. Certified enterprises now include restaurants, bed and breakfasts, and festival caterers, approximately 40% of which are based in London.
- The school meals market, although representing a growing opportunity for organic producers, is at an early stage of development – as is the use of organic food in hospitals.

Chapter 8

The organic consumer

- According to data provided by Taylor Nelson Sofres the proportion of households buying organic food and drink increased by around 1% in 2004. In addition, the weight of purchase increased by 8%, with average annual spend per organic consumer increasing from £35.07 to £37.87
- The appeal of organic food is widening beyond high earners and the middle classes, with over half of those in lower income groups now saying they buy some organic products.

Chapter 1

Organic food and farming worldwide

1.1 Worldwide

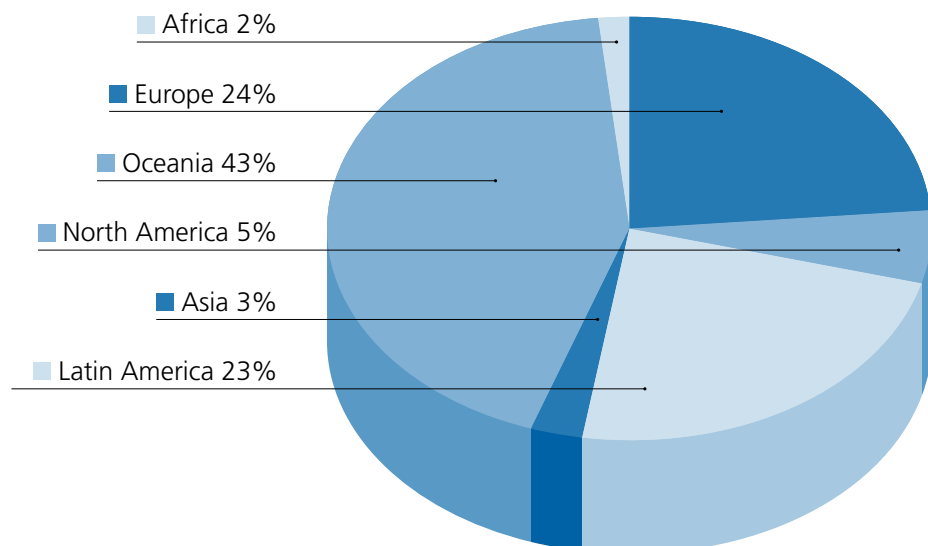
Global sales of organic food and drink grew by an estimated 7–10% to £15.5 billion in 2004.¹ Sales are concentrated in Western Europe and North America, but the market for organic food products is growing across the world. Increased awareness of organic production methods and growing consumer purchasing power is strengthening consumer demand and organic production in less developed countries. For example, in Thailand, India, the Philippines and parts of Latin America regional markets for organic produce are developing as farmers grow crops for consumers in their region.

Western Europe accounts for more than half of all organic food sales, due in part to the depreciation of the US dollar. Many European countries showed healthy growth rates in 2004, following a couple of years of consolidation.

Total sales of organic food in North America were in excess of £7 billion in 2004, and consumer awareness of organic production methods continues to increase in Asia, Australasia, Latin America, and Central and Eastern Europe. Demand for organic foods is also spreading to countries in the Middle East and Russia, where high growth rates are also occurring.

In 2003, over 26.5 million hectares of farm land was managed to organic standards across the world, two thirds of which was in Australasia and

Figure 1
Organic farmland by continent 2003



Latin America.² Although Australia has the largest organic land area (11.3 million hectares) the majority is extensive pasture used by cattle farmers and it has just 1,380 organic farms, 0.4% of the global total.

Latin America and Europe account for 64% of the world's organic farms, while Africa has 118,428 organic farms – a relatively large number considering the continent has just 2% of the world's organic farmland. Just 2.7% of the world's organic farms are in North America, even though more than 45% of all organic food is sold here.

The Americas

In 2004, organic food sales in North America were worth an estimated £7 billion making the American organic food industry the largest in the world. Demand for organic produce exceeded supply in many sectors, such as organic meat and dairy because of the relatively long conversion period for livestock.

Latin America has a large area of organic farmland, although production is export geared. The region is a major supplier of organic sugar, herbs and spices, beans, seeds, grains, coffee, fruits and off-season vegetables to Europe and North America.

Asia

In 2004, 736,312 hectares of farmland was managed to organic standards in Asia, 300,000 hectares of which were in China. China is a major producer of organic soya beans, seeds and grains

with exports going across the world. Japan, South Korea, Taiwan, Singapore and Malaysia have the largest consumer markets for organic foods in Asia. However, despite high demand for organic products, there is little organic production in these countries. Much of the organic food and drink sold is imported from non-Asian countries. Nevertheless, the governments in India, Malaysia and the Philippines are encouraging farmers to convert to organic production methods, and countries such as Thailand and Japan have introduced national standards for organic products.

Oceania

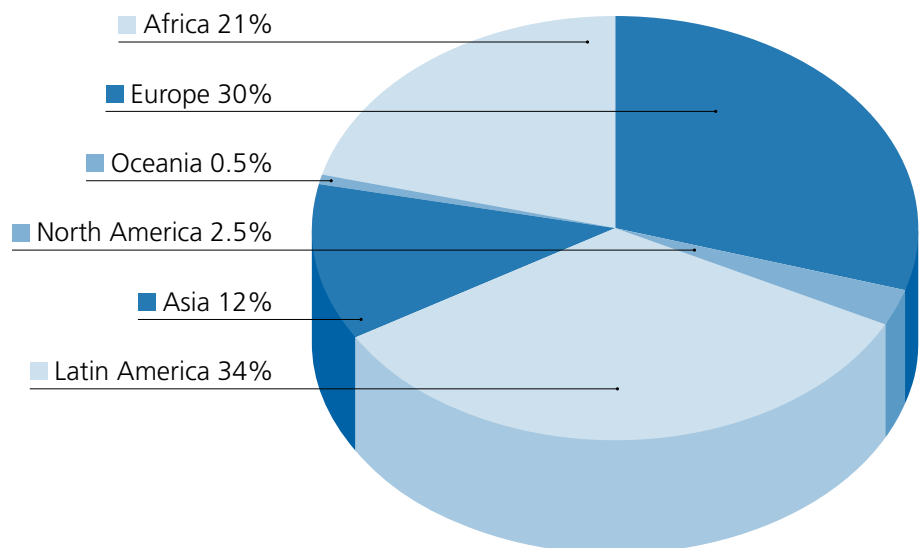
Oceania includes Polynesia, Melanesia, Micronesia, New Guinea, Australia and New Zealand. The continent has 43% of the world's organic farmland but the organic food industry is still relatively small. Organic food and drink sales were an estimated £135 million in 2004, most of which were in Australia.

The majority of the organic food produced in Australia and New Zealand is exported. Organic fruit, vegetables, beef, lamb, grains, nuts and seeds are exported to Asian, European and American markets. New Zealand is a particularly important supplier of out of season organic fruit and vegetables for European countries.

Africa

Africa has 435,154 hectares of organically managed land, with most in Uganda, Tanzania and South Africa. Production of organic crops, such as fruit,

Figure 2
Organic farms by continent 2003



herbs and spices, tea, coffee, cocoa, sugar, cotton and vegetable oils, is almost entirely export-oriented.

1.2 Europe

During 2004, the total certified organic land area in Europe increased by approximately 1.6% within the new EU 25 (including new member states) to a total of just over six million hectares (ha) – or just under 4% of total farm land.

The organic land area increased considerably in Spain, largely because many producers with grazing land entered organic production. Other large increases occurred in Central and Eastern European (CEE) countries – for example, Latvia's organic land area almost doubled in a single year, while Poland and Lithuania's organic land area increased by 66% and 80%, respectively.

However, despite the increasing land area the number of organic farms in Europe reduced slightly in 2004. The underlying reasons for this vary from country to country. In the UK and France, for example, changes and disruptions in the policy support and problems with oversupply of organic milk have deterred some newly converted farmers from continuing. In Italy, small farmers in certain regions were attracted by generous regional conversion payments but some did not remain organic once these had ceased. In Denmark, a prolonged period of growth was followed by a standstill period, with some reduction in the number of organic farms. Whilst in The

Netherlands some of the more intensive organic livestock farmers reverted to non-organic production because of stricter feed standards.

Nevertheless, these trends are almost balanced by healthy growth in Poland, Hungary, Latvia, Lithuania, Estonia, the Czech Republic, Germany and Austria. The longer term prospects also look brighter as consumer awareness and demand continue to grow, CAP reform single farm payments allow farmers to convert to organic without losing subsidies, and technical and marketing research benefits the sector.

The implementation of the European Organic Action Plan (2003) is well under way. The European Commission intends to review several aspects of the European Standards for Organic Food (EU regulation 2092/91), such as addressing important gaps in the regulation and including a statement of the principles of organic farming. Under the Rural Development Programme individual countries are also implementing their organic farming support policies and several, including England and Wales, have introduced their own organic action plans.

During 2004 the EU standards for organic farming were extended to include the new member states and to cover wholesaling, retailing and food storage. There were also changes to permitted sausage casings, as well as to the rules on when non-organic animals may be brought onto organic livestock farms. Additionally, there were extensive debates surrounding the end of the derogation that allows

Table 1
Countries with the largest areas of organic farmland 2003²

Country	Hectares
Australia	11,300,000
Argentina	2,800,000
Italy	1,052,002
USA	930,810
Brazil	803,180
Uruguay	760,000
Germany	734,027
Spain	725,254
UK	695,619
Chile	646,150

some non-organic feed to supplement the diets of organic livestock. The new legislation on feeding organic livestock became law in August 2005 and sets out to gradually decrease the proportions of non-organic feed, with different periods for herbivores and monogastric animals, before moving to fully organic diets for all animals.

While organic research is taking place in many European countries it is often characterised at a national level by small research communities. The CORE (Coordination of European Transnational Research in Organic Food and Farming) Organic project was established in October 2004 to coordinate government funded organic farming research at European level. This three-year network project aims to improve the quality and relevance of organic farming research throughout Europe with increased international collaboration and coordination. Based in Denmark, CORE Organic so far involves 11 countries, including the UK, and others are encouraged to join.³

Unfortunately, official statistics on the retail sales values of the organic sector are still not available in a common format. Published data for individual countries are derived using disparate methods with varying amounts of detail and use of estimates. Some countries include data on exports; others report only on sales made through multiple retailers. In some countries the data collection methods have changed from one year to the next. It could be misleading to use existing data to compare retail sales in different countries, and there are major inconsistencies for measuring

market trends. It was decided not to present European market data in this section of the Organic Market Report until a common format for data collection has been agreed.

Since 2003, the European Information System for Organic Markets (EISfOM) has been working to improve market information for the organic farming sector in all European countries. This EU-funded project aims to develop a framework for reliable data to assist policy makers, farmers, traders and others involved in organic markets. It includes experienced researchers in Austria, Denmark, Germany, Italy, The Netherlands, Poland, Switzerland and the UK. The project is coordinated by the University of Wales in Aberystwyth. EISfOM will soon publish a final a set of recommendations on how best to establish an organic market data system in Europe.⁴

1.3 Market developments in Europe

The market for organic products in Europe continues to grow and was worth an estimated €12 billion (£8 billion) in 2004, although this estimate contains a considerable margin for error.

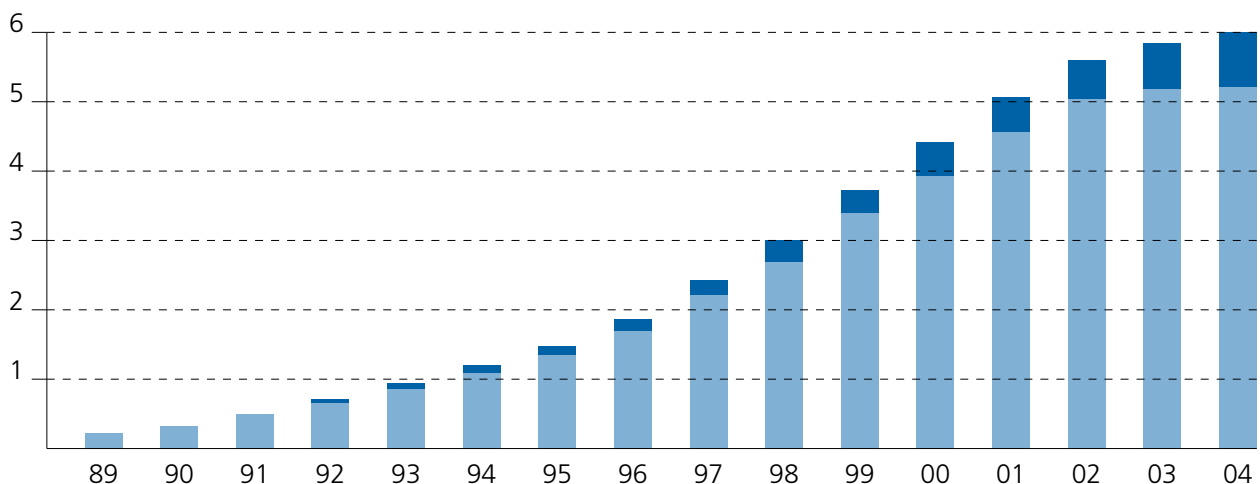
Germany

Germany experienced a 5% increase in organic land area – well above the EU average increase of 2% – and now, after Italy, has the second largest area of organic land in Europe. Organic sales in Germany rose by 13% to €3.5 billion (£2.3 billion), largely fuelled by concerns over genetically

Figure 3

Organic and in-conversion land area (million hectares) in Europe 1989–2004

(■ new members) (■ first 15 members)



modified organisms (GMOs) and pesticide residue levels in non-organic food.⁵ The market for organic fruit and vegetables showed particularly strong growth, with sales increasing by 14% in 2004.⁶

Germany remains the biggest market for organic products in Europe, and all supply channels showed significant growth. The highest increase was with the independent retailers, who increased sales by 25%, but most sales are still through other outlets.

A major driver for organic sales in Germany is the increasing availability of organic products in mainstream retailers, with a growing number of traditional supermarkets and discount stores introducing fresh organic produce.⁷ In a country where the share of organic food sold through supermarkets has traditionally been low, the number of specialist organic supermarkets continues to increase. Forty large organic stores opened during 2004, mainly concentrated in Western Germany, and the trend continues.⁸

During 2005, a growing interest in the organic sector has been observed among supermarkets and discount stores. Retail giant REWE has started to convert traditional stores into organic supermarkets, while Aldi continues to expand its organic range and started a multi-media marketing campaign in July 2005. Lidl is increasing its organic range in Germany, and the Rossmann independent retailer is energetically promoting its organic range.⁹

Connections between organic food and fair trade are getting closer in Germany, with more products taking on both labels simultaneously. For example, the EDEKA supermarket chain is successfully expanding its range of organic fair-traded exotic fruits, such as bananas and mangos, and sales are increasing as a result.⁶

France

In France, the long-term increase in organic land area was interrupted in 2004 with a considerable reduction of in-conversion land area and only a few new entrants. The probable cause was a disruption to the organic conversion grants between 2002 and 2003, linked to changes in Government policy.¹⁰

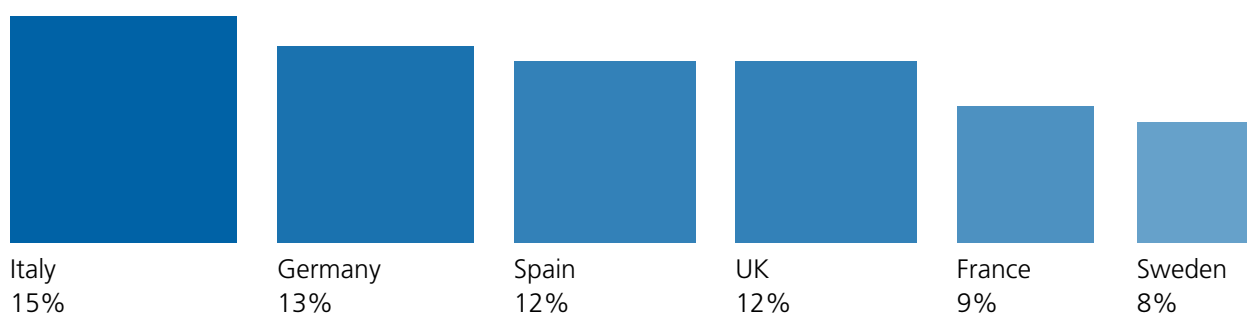
In 2004, the French organic retail market grew by about 7%, and the number of organic food processing businesses also rose slightly.¹¹ Several large multiple retailers extended their presence in the organic sector, although they still carry a limited range compared with neighbouring countries. Some companies have introduced their own brands but none has yet developed a specialist marketing concept for their organic range.

Since 2005, imports from outside the EU that are crucial for continuity of supply throughout the year, especially for fruit and vegetables, can carry an 'AB' (Agriculture Biologique) organic logo to reduce consumer confusion. Like the UK, France is a net importer of organic food, largely due to the positive development of demand combined with a more hesitant uptake of organic farming by producers.¹²

Italy

Despite wider availability of organic food in Italy, the growth in the organic retail market appears to have levelled out during last year, with a 4% reduction in organic retail sales. However, this is in the context of a general decline in Italian retail food sales, which has affected all sectors. There are major differences in retail trends across Italy. Nevertheless, most retailers are anticipating a recovery in organic sales in the coming year.¹³ In Italy organic food is supplied through a number of different channels, including public procurement, specialist shops, traditional supermarkets,

Figure 4
European organic land area by country 2004



restaurants and farm holidays. More school canteens are offering organic meals because of promotional campaigns and new local regulations. For example, the region of Emilia Romagna passed a new law, supported by the Green regional deputy, which approved the development of organic canteens for local schools. Most of the whole food and organic food shops are concentrated in Northern Italy, among them approximately 100 organic supermarkets of over 200m² retail area.

Many supermarket chains in Italy are marketing their own-label organic products. One chain, Serramarina, has opened a new concept store in Padua, featuring 25% organic products compared with their usual 8.9%. They are hoping to expand this idea by opening similar stores around other regions of Italy, and throughout Europe.¹⁴

Italian farmers have been going through difficult times, organic and non-organic alike. Some regions have seen significant numbers of small farmers leaving organic production. Analysis suggests that many – especially in the south and the islands – converted so they could receive generous conversion subsidies. However, some regions have not continued with maintenance subsidies. Central Government support is modest and confidence among producers has also been shaken by the failure to introduce an Organic Action Plan.¹³

Denmark

The market for organic products in Denmark's multiple retailers continues to grow. Statistics for other supply channels are inconsistent, although it seems that overall organic sales are being sustained without substantial decreases. The recent political emphasis on promoting organic farming through the market, along with recent slower growth in the retail market, has led to continued reductions in

the Danish organic land area and the number of organic producers. Nevertheless, this 'standstill' phase in the development of Danish organic farming follows a sustained period of growth lasting more than a decade, and the organic sector continues to be an important influence in Danish farming.¹⁵

Austria

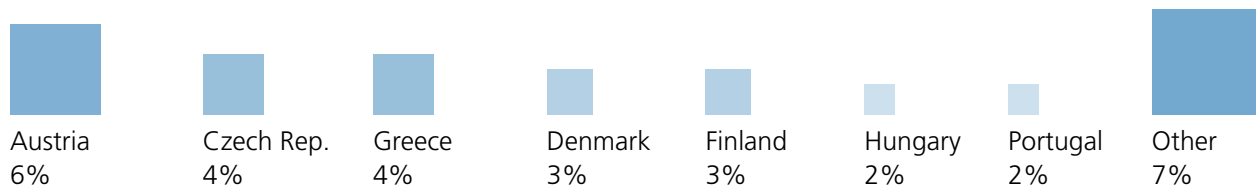
In Austria, the organic sector was strengthened by the foundation of a single membership organisation for organic farmers called Bio-Austria, in January 2005. The idea was first discussed in 1993, followed by intensive consultations between the 19 former organic farmers' associations. Now representing over 14,000 organic farmers, Bio-Austria aims not only to become the main communication and information network for the whole Austrian organic sector but also to help increase the number of farms and organic land area by 10% each year.¹⁶

However, despite this positive development in the production sector the Austrian retail market showed slower growth in the last year, ranging between 12% for sales of milk and potatoes to 2% for sausages. Due to protests from the non-organic food and farming lobby, a national Bio-Austria advertising campaign, promoting the fact that organic products are free of GMOs, was taken off air by the Austrian Agricultural Market Agency. Organic farmers are now trying to reverse that decision.

Austria is also the home of Bio-hotels, a recently formed association of independent hotels offering holidays based around natural products and local organic food. Apart from Austria, the association also has members in Germany, Switzerland, Italy, Ireland and Spain.¹⁷

The Netherlands and Belgium

The organic retail market in The Netherlands



has developed confidently with growth rates of approximately 5%. This may be a result of the Government focus on improving marketing structures over the last few years. The Dutch Government is conducting experiments to find out if state-funded retail discounting can stimulate consumer demand. If successful, the intention is to increase organic sales by 30% each year with funding of €61 million (£41 million) up to 2007.¹⁸ The Government hopes that stimulating demand may help increase the Dutch organic land area to 10% of farmland.¹⁹ Currently, Dutch organic trading companies are aiming to expand their operations abroad, and The Netherlands remains very important for European trade in organic products. EOSTA, a large organic fruit and vegetable trader, plans to increase transparency in labelling through a points system for products based on a range of ecological, social and nutritional criteria.

While the area of organic land increased in The Netherlands, the number of farms declined in the same period. New feed standards, which ban artificial protein sources and non-organic feeds, appear to have made intensive organic livestock production less viable. As a result some pig farms resigned their organic status while larger farms converted.²⁰ The increase in the average organic farm size reflects this trend, rising by five hectares to 33 in 2004. In contrast, the number of large organic grassland farms in Belgium fell, although more fruit farms converted to organic production. Consequently there was less organic land with more producers, resulting in a smaller average farm size.

Switzerland

There has been speculation about possible market

saturation in Switzerland, but the overall trend in organic sales remains positive – despite a decline in general consumer spending and the arrival of food discount stores, driving down consumer prices. The organic market grew by about 3% and reached a total value of almost €800 million (£530 million). Over 80% of produce sold is of Swiss origin. The organic sales per capita increased in 2004, and Switzerland remains the European leader with average spending of over €100 (£67) per head. About 75% of sales pass through two major retailers and 15% through specialist organic shops, with the remainder retailing either direct from the producers or through family butchers and bakery shops.²¹

Spain

In recent years Spain has seen a considerable increase in organic land area, making it one of the largest producers of organic food in terms of land area. In 2004, the average increase in organic land area was less than in recent years (at just 1%), and the number of farms also declined. However, there is considerable regional variation, with continuous growth in Andalusia and a fall in organic land area in Extremadura.²²

Spain's domestic organic market is developing slowly, and only a few shops offer a full organic range to consumers. Most organic processors are concentrated in two regions (Catalonia and Andalusia), but there is no well-developed network of processors, wholesalers and retailers. The majority of Spanish organic fruit and vegetables is exported, and it remains difficult to buy them in Spain. In contrast, imports make up about 75% of organic products sold. It is likely that high prices

Table 2

Organic farming in selected European countries 2004

(UAA = utilisable agricultural area)

Germany	France	UK	Italy
<i>Population:</i> 82.5 million	<i>Population:</i> 59.9 million	<i>Population:</i> 59.7 million	<i>Population:</i> 57.9 million
<i>Organically managed land area:</i> 767,891 hectares (4.5% of UAA)	<i>Organically managed land area:</i> 540,000 hectares (1.9% of UAA)	<i>Organically managed land area:</i> 690,2691 hectares (4.1% of UAA)	<i>Organically managed land area:</i> 954,361 hectares (7.3% of UAA)
<i>Number of organic holdings:</i> 16,603	<i>Number of organic holdings:</i> 11,025	<i>Number of organic holdings:</i> 4,010	<i>Number of organic holdings:</i> 36,639

remain a barrier to increasing organic sales but there is a growing commitment from a number of companies to develop the domestic market, and specialist retailers and wholesalers have recently established a marketing network.²³ A national conference held in 2004 agreed that organic sector development would require continuous, strong Governmental support for production and processing, promotion of domestic demand, and the strengthening of Spanish organic networks and institutions.²⁴ Production and processing were seen as especially important because of their contribution to rural development.

Canary Islands Organic Agriculture Association (Federación Canaria de Agricultura y Ganadería Ecológica – FECAGE), a new organisation to promote organic farming on the Canary Islands, will take on the work of the various associations in promoting the cultivation and consumption of organic products.²⁵

Ireland

In Ireland, the Organic Centre Ireland and the Super Value retail chain are joining forces to educate consumers about the value of organic food, hoping to improve sales opportunities for local organic products and to encourage Irish producers to increase their range, especially in the horticultural sector. They aim to reduce the reliance on imports, which currently make up about 70% of organic sales, most of which are sold through about 130 whole food and health food shops.²⁶

Sweden

Demonstrating the growing popularity of organic

ingredients, the successful Swedish retailer IKEA plans to replace standard foods with organic varieties. The group is the single largest food exporter in Sweden. Öresund Food Excellence report that the project launched with organic coffee, followed by strawberry/orange jam and blue cheese. In winter 2005 IKEA will launch organic schnapps, and the meat sauce served at Swedish IKEA restaurants will be certified organic.²⁷

Central and Eastern Europe

In 2004, 10 new member states joined the EU, the majority in Central and Eastern Europe (CEE), and this has made trade easier between east and west.²⁸ Fears that Western European producers may be out-competed by the new EU countries were exaggerated. A 2004 study of CEE countries by the Dutch Agricultural Economics Institute (LEI) concluded that low domestic demand, fragmented production sectors, and under-developed supply networks appear to be preventing many CEE countries gaining a foothold in organic markets in Western Europe. Hungary may be rapidly increasing organic crop exports, but other CEE countries seem less well placed to respond. However, with their strong resources of land and labour, the situation may well change in the long term. Their recent history of low-input agriculture means many producers find it easy to convert to organic production without significant reductions in crop yields.²⁹

In some CEE countries, the movement towards agricultural intensification has become a cause for social and environmental concern. Policy makers and farmers see organic farming as one possible alternative, providing new opportunities

The Netherlands

Population:
16.23 million

Organically managed land area:
48,155 hectares
(2.4% of UAA)

Number of organic holdings:
1,469

Austria

Population:
8.1 million

Organically managed land area:
344,916 hectares
(10.6% of UAA)

Number of organic holdings:
19,826

Switzerland

Population:
7.36 million

Organically managed land area:
112,000 hectares
(10.3% of UAA)

Number of organic holdings:
6,420

Denmark

Population:
5.4 million

Organically managed land area:
156,802 hectares
(5.9% of UAA)

Number of organic holdings:
3,166

to sustain agriculture in national parks and areas of outstanding natural beauty. It is part of a long-term survival strategy for the small-scale agricultural structure of rural economies in countries like Poland and Slovenia. Goals in organic development include nature conservation and preserving local livestock breeds, as well as selling certified products to Western European markets.

Since 2004, Polish farmers have been able to receive higher support payments for organic conversion, and the agricultural ministry has been paying for certification costs since 2002. In 2003, twice as many farms applied for this grant as in 2002. Poland also has a higher proportion of organic arable area (55%) than many other EU countries. This may reflect the recent Polish history of low-input crop production, which makes organic crop yields compare favourably. However, high market demand for non-organic crops in Western Europe is a disincentive to conversion. The domestic demand for organic produce remains weak because of higher prices and poor information about organic products. Poland will need to maintain a steep increase in the rate of organic conversions to achieve its aim of increasing organic land area to 200,000 hectares by the end of 2006. This may be generated by the higher support payments, recent entry into the EU, and a significant marketing effort.³⁰

In most CEE countries, the domestic organic markets are not developing as quickly as their production sectors, although there are some encouraging signs. In Hungary, for example, the first specialist organic shops have opened in Budapest. In other shops, organic food is gaining a higher profile and there is also more wholesale marketing. The availability of organic lines continues to improve in the Czech Republic.³¹

In Slovenia, organic land area increased substantially to make up almost 5% of farmland area. But only 15–20% of the certified farms sell their products as organic, and the country is lacking the infrastructure to process organic raw materials; there is, for example, no dairy able to process organic milk. However, many organic products are imported into the country to supply a growing market. Most of the farmers offer their products directly on-farm and others have regular stalls on weekly markets.³² Organic food is sold also through health and whole food shops, and increasingly supermarkets.³³ Bio Alpe Adria is a well-established network linking organic sector organisations across borders between Austria, Slovenia and Italy as well

as developing cooperation in production and marketing projects amongst the three countries.³⁴

The UK and Europe

- The UK remains the third largest market for organic food in Europe, after Germany and Italy
- The percentage land area farmed organically is marginally higher than the European average, but remains lower than in Sweden, Austria, Italy, Denmark and Finland
- At 172 hectares, the average farm size of organic holdings is the highest in Western Europe, but not as high as in the Slovak or Czech Republics
- Italy, Germany, Spain and the UK combined have more than 50% of European certified organic land area
- Like France, the UK saw a reduction in numbers of farms converting, due partly to uncertainty over changes in support via CAP reform and producers waiting for new schemes to come into place.

Chapter 2

Policy in the UK

2004/05 saw significant organic policy developments in the UK. The new European Action Plan for Organic Food and Farming was launched and both the English and Welsh Organic Action Plans were renewed. In January 2005, the Government introduced a single, decoupled income payment; there are separate agreements for England, Northern Ireland, Scotland and Wales. 2004/05 also saw the emergence of new evidence on the benefits of organic food and drink. The Soil Association's policy agenda was dominated by lobbying for healthier school meals through the Food for Life initiative.

2.1 Organic action plans

The new European Action Plan for Organic Food and Farming was launched on 10 June 2004.

It's 21 proposals include:

- An EU funded, EU-wide information campaign to promote the principles, practices and benefits of organic farming to the public, schools, farmers and food industry
- A strong recommendation to national governments that organic farming should be the 'preferred management option' for environmentally sensitive areas
- Completion of the European standards such as those for wine processing and aquaculture
- Better statistics on the organic sector and more funding for research and dissemination
- Regular publication of information on cases of fraud, and proposals to improve certification procedures.

The English and Welsh action plans were renewed in summer 2004. The plan for England addresses:

- The public procurement of organic food
- Increased accessibility to organic food for people on low incomes
- Local food initiatives and organic farming
- The role of organic food in the Government's health agenda, for example consumption of fruit and vegetables.

The Welsh plan's recommendations, include:

- A target that 10–15% of Welsh farmland is managed organically by 2010
- That all public authorities should procure some organic food, with annually increasing targets
- Organic food and farming should be a focus of the Food Tourism Action Plan
- Government support for certification costs.

2.2 Government support for organic farming

All direct payments for cereals, beef, dairy and sheep were decoupled from production from 1 January 2005. A single decoupled income payment for each farm (Single Payment Scheme/SPS) was introduced after this date. Producers do not have to produce any farm products to receive this payment. However, they must meet cross-compliance requirements, which consist of minimum statutory standards relating to the environment, food safety and animal welfare. Producers must also keep the land in 'good agricultural and environmental conditions', in line with environmental requirements. Despite the fact that the SPS was introduced in January 2005 the earliest date for the first payments is likely to be February 2006. There are separate agreements for England, Scotland, Northern Ireland and Wales.

England

The Organic Farming Scheme (OFS) continued to run throughout 2004 providing a conversion payment and an ongoing payment to organic farmers in England. The OFS was revised in 2003 introducing ongoing payments. This revised scheme was an interim measure before the results of the mid term agri-environment review, which resulted in the introduction of the Entry Level Scheme, the Organic Entry Level Scheme, and the Higher Level Schemes, in 2005.

The knowledge that a new organic scheme would be launched in early 2005 discouraged some existing organic farmers from joining the OFS. It was not clear in 2004 whether those who signed up for maintenance agreements under OFS would be precluded from transferring to the potentially higher payments of the new scheme. Other farmers decided to delay entering conversion until they knew what the payments under the new scheme would be. It was also assumed that even with the introduction of the new environmental stewardship schemes, to ensure they would receive a conversion payment, farmers would have a 12 month period from their application to the certification body before they had to apply to the organic entry level scheme. This meant that some farmers who did enter conversion towards the end of 2004 did not apply for OFS and waited to see what their options would be under the new scheme.

2004 brought details of CAP reform and how payments would be made from 2005 onwards. The decisions made in England were markedly

different from those in the devolved nations. It was decided that payment would change over time from being based on subsidy claims in three reference years to being based on a regional area payment. Payment based solely on subsidy claims between 2000 and 2002 or the alternative years of 1997 to 1999 would have disadvantaged some organic producers.

The process of converting to, and meeting the standards of organic farming reduces stocking rates on farms and may also increase the diversity of crops grown. As some of these crops would be unsupported the total direct subsidy claim for an organic farm is likely to be less than an equivalent non-organic holding. Consequently, payment made on a regional area basis is fairer. The 'regions' were originally set as being land that was in a Severely Disadvantaged Area (SDA) and all other land making up 'lowland England'. This caused great concern as the SDA included hill and moorland as well as higher value in-bye and cropped land. The Soil Association and other bodies successfully lobbied Defra and three regions were agreed on – moorland, SDA land and lowland England.

Payments made in England will start off being at 95% of the historic subsidy payments, with the remaining 5% coming from the regional area payment. These percentages will change over time as the area payment increases, until 2012 when 100% of the payment will be made on a regional area basis. Established organic producers will be disadvantaged through lower payments in the initial years of SPS though some farmers have been able to use the hardship mechanisms to increase the payments they receive.

In March 2005 the Organic Entry Level Stewardship (OELS) was launched and this, coupled with the start of SPS and the end of direct subsidy payments, brought a flood of enquiries from farmers interested in converting to organic production. Many of these farmers were still unsure about the implications of SPS on their individual holdings and were exploring a range of possibilities to ensure they could remain on their land and continue to farm. OELS provides a higher level of payment than the old OFS but also requires environmental management to be carried out in addition to organic certification.

OELS is just one strand of the new Environmental Stewardship schemes. There is also a basic Entry Level Scheme (ELS) and a Higher Level Scheme (HLS). HLS replaces Countryside Stewardship Scheme (CSS) and higher tier Environmentally

Sensitive Area (ESA) schemes, HLS will be competitive and may be based on new biodiversity targets. ELS and OELS are not competitive schemes and if farmers meet the conditions they will be eligible for payments of £30 for ELS per hectare per year or £60 for OELS's per hectare per year. OELS also pays an additional £175 per hectare on improved land during the first two years of conversion (and still provides the higher payments for converting top fruit that were part of OFS).

Northern Ireland

In late 2004/early 2005 a 'lead body' was appointed to work alongside the Department of Agriculture and Rural Development in the development and implementation of a development strategy for the local organic sector. This Organic Action Plan Group will consider the introduction of post-conversion payments for organic farmers and the promotion of organics.

The administration in Northern Ireland has adopted a 'static hybrid' approach to the Single Payment Scheme, where the proportion of payments the producer will receive based on historic entitlement and the proportion paid on regionalised area payments will remain the same.

Scotland

The first annual report on the progress made in implementing the Scottish Executive's Organic Action Plan was published in March 2004. As well as renewing the Executive's commitment to both the Action Plan and the Partnership Agreement, the report outlined activity within Scotland associated with the development of organic food and farming. These areas included a summary of support available to producers through the Organic Aid Scheme (OAS). Progress in the areas of marketing, public procurement, Scottish healthy eating initiatives, research, standards and aquaculture were also included to highlight the importance of the parallel development of these areas of work.

The new Organic Aid Scheme (OAS) came into force in May 2004 and includes:

- New payment rates which are targeted to try and improve the percentage of arable land in the total organic land area
- A new payment for conversion for vegetable and fruit production
- Introduction of assistance through the Organic Aid Scheme for capital costs associated with conversion

- A discretionary maintenance payment for ongoing organic production after the first five years conversion contract.

The changes made to the OAS are intended to make the scheme more flexible. Payment rates for existing conversion grants have also been altered. Farmers are able to claim for part of the cost of the preparation of their organic conversion plan.

The structure of Scotland's future farm support systems is still under development. The concept of a three tier Land Management Contract has been introduced and the first two tiers were opened to applicants in 2005 but will be subject to further refinement. Adherence to the conditions prescribed by GAEC (Good Agricultural and Environmental Conditions), define the acceptance procedure for award of the historically based single farm payment. Tier 2 consists of a range of prescriptions open to all, but subject to a maximum ceiling per farm unit. The prescriptions include economic, environmental and social projects and have had a good initial uptake. Tier 3 is still under development but it is likely to consist of more ambitious schemes that will be subject to some competition for funding. The position of support for organic farming is still as yet not fully resolved but is likely to be included within tier 3. The Less Favoured Area Support Scheme (LFASS) remains in operation and given the predominance of Less Favoured Areas classified land in Scotland, is still a very important area of funding. Integration of the scheme with Land Management Contracts has still to be achieved.

The National Envelope was made use of in Scotland to introduce a Scottish Beef Calf Scheme. The SBCS is designed to help maintain beef cattle in store cattle rearing areas.

The Scottish Organic Stakeholder group has gained increased representation on many of the Executive CAP reform development groups, which is hoped will aid integrated development of organic food and farming.

Wales

On the 1 March 2004, the Organic Maintenance Scheme opened in Wales. This provides ongoing support for a further five years for those that converted to organic production through the Organic Farming Scheme (OFS), and for the first time provides access to financial support for the longer-established organic farmers that converted before support was available. The OFS provides £35/ha for enclosed land in years four and five

of the conversion phase and for the next five years of the Maintenance Scheme. For years three to five OFS payments have been increased to £10/ha for unenclosed land, the rate is the same for the Maintenance phase (years 6–10).

The decisions on CAP reform implementation made in Wales by the Welsh Assembly Government have further increased the difference in support regimes between England and Wales, and have impacted on organic farmers. Firstly, the single payments will be based on historical support claims from the period 2000–02, and secondly the rejection of the National Envelope removed a potential means of compensating organic farmers.

During 2004, the Welsh Agri-Food Organic Strategy Group launched a Second Organic Action Plan for Wales. The plan recommended that the OFS is revised in order to provide targeted support for horticultural growers, it is hoped that these changes to the OFS will be implemented in 2006. Organic Centre Wales have places on the Welsh Assembly Government's CAP Reform, Rural Development and Tir Mynydd Stakeholder Groups, allowing the organic sector to be more closely integrated into discussion on these topics.

Also during 2004, an announcement was made about the opening of the Wales entry-level agri-environment scheme, Tir Cynnal (translates as 'land maintenance'). Farmers were invited to apply for this on their single application form (SAF) in May 2005. Despite long-term plans for an organic strand to this scheme, last-minute changes prevented this, but organic farmers, and farmers already in the OFS (including the maintenance scheme) can also join Tir Cynnal.

At the time of writing it is not anticipated that there will be dual funding deductions (reductions in total payments) for joining both schemes, but this remains a possibility. Some organic farmers were reluctant to join until this issue was resolved, so their next application opportunity will be May 2006. The proposed scheme is a whole-farm scheme with stepped payments up to 200ha. Annual payments are: for the first 0–20ha = £45/ha, £30/ha for the next 21–50ha, £25 for the next 51–100ha = £25, and £5 from 101–200ha. Farmers are required to produce a basic farm resource management plan, involving a checklist which produces a list of action points, maintaining at least 5% of the farm area as habitat, and restricting some activities such as hedge-trimming and maintaining field boundaries and traditional buildings.

2.3 New evidence for the benefits of organic food and farming

In 2005 new research gave the organic milk market a huge boost. Studies conducted by, amongst others, the University of Aberdeen and the Institute of Grassland and Environmental Research found that organic milk contains a higher level of the essential fatty acid omega 3 than non-organic milk. Western diets are often deficient in this nutrient. It helps maintain the heart, joints, healthy bones and teeth, and is important for growth and mental health. It was concluded that the fat in organic milk contains more omega 3 due to the natural and diverse diet of organic cattle. Other studies also found that organic milk contains more Vitamin E and beta-carotene, a pre-cursor of Vitamin A. Organic milk sales went up immediately in response to the news and some schools are now serving organic milk. It is hoped that a £12 million, EU-wide research project Quality Low Input Food ([www.qlif.org](http://www qlif.org)), led by the University of Newcastle upon Tyne will help to expand this vital research work.

In addition, two major reviews of the scientific literature on the biodiversity benefits of organic farming were published in 2005. A joint review of 76 studies by English Nature and the RSPB found that there are more birds, butterflies, beetles, bats and wild flowers than on non-organic farms. A review of 66 studies by Swedish researchers concluded that wildlife is on average 50% more abundant and there are 30% more species on organic farms. The Sustainable Development Commission, Government advisers on sustainability reviewed the various farm assurance schemes and concluded that organic standards are the 'gold' standard for sustainable farming. In contrast, the various schemes covered by the Little Red Tractor logo are only a minimal 'baseline' while schemes such as the RSPCA's Freedom Foods scheme and the LEAF marque form a middle tier.

Due to the increased evidence of the health benefits of organic produce, the Soil Association has compiled a series of positive marketing statements, which are in the process of being approved by the Committee of Advertising Practice. These statements are intended for use by organic farmers and processors to promote their products (see Appendix 1).

2.4 Key Soil Association policy work

2004/05 was dominated by the extraordinary success of the Soil Association's school meals

initiative, Food for Life, which aims to make school meals healthy, local and organic. The Food for Life programme calls for an increase spend on ingredients, quantifiable nutritional standards for school meals and a commitment to local and organic sourcing by school meal providers. By the end of March 2005, the Government had agreed to develop tough new nutritional standards, more money for school meal ingredients and had created a new 'school food trust' charged with helping the transformation of school meals in England. This is urgently needed to reverse the serious deterioration in the quality of meals that has taken place over the last two decades and ensure that every child gets a decent school meal.

The development of the UK school meals market is also an opportunity for organic farmers, with many schools and local authorities keen to trial organic produce. The high level of media coverage and interest from schools has played a part in furthering the public's burgeoning interest in fresh, local and organic food.

School meals

St Peter's Primary School in East Bridgford, Nottinghamshire inspired the Soil Association's Food for Life campaign. Jeanette Orrey, the school catering manager, transformed their catering system to bring delicious, fresh, local and organic school meals to the pupils at St Peter's. Armed with this example and others like it, the Soil Association wrote the *Food for Life* report in 2003, which exposed the state of school meals in England and suggested targets for healthy and sustainable school meals. These targets, based on practical experience on what was achievable, aimed to provide children with a nutritious, unprocessed, local, organic school meal as well as teaching children about food, farming and cooking.

In conjunction with the Soil Association, school meal caterers Sodexo and Compass made recommendations to the Government on improving standards and investment in school meals. Meanwhile evidence was emerging of improved behaviour and concentration of children in schools where meals had improved. Further research in the autumn of 2004, prior to the publication of the Government's Public Health White Paper, showed how a typical school meal was too high in fat, sugar and salt and too low in vitamins and minerals. In December 2004, the Government announced that it would consider quantifiable nutritional standards for school meals, the first step on the road to reforming school meals. The initiative also inspired

the active support of key public figures. HRH The Prince of Wales, hosted discussions with school and local authority executives. Meanwhile, Jamie Oliver's TV series, Jamie's School Dinners, popularised the subject and brought vital public pressure on politicians to act.

By the end of March 2005, the Government had agreed to develop tough new nutritional meals standards. Nutritional standards already apply in Scotland, where the Scottish Executive's Hungry for Success project has had a high media profile. The Soil Association is working closely with Hungry for Success and has also been invited to participate in the Welsh Assembly panel on school meals. The Soil Association, including Soil Association Scotland, has been working directly with over 300 schools and five local authorities to support the schools, move towards Food for Life targets. Now that the policy framework has been secured, it is hoped this is a critical step to developing a more positive food culture in the UK.

Chapter 3

Organic farming in the UK

By January 2005, 686,101 hectares (ha) of land were managed to organic standards across 4,010 organic and in-conversion holdings in the UK.

Since the last reporting period, the total area of fully organic land has increased by 0.6% to 634,222 ha, while the area of in-conversion land has decreased by 10.7% to 51,879 ha. The area of fully organic land under horticultural production increased by 4.5% to 7,711 ha, while the area of fully organic arable land increased by 5.7% to 51,234 ha. However, the area of organic grassland remained static at 88.6% of the total, 561,656 ha.

The introduction of the Single Payment Scheme (SPS) in 2005 has since resulted in a growth of interest in organic conversion of all sectors. However, while opportunities still exist for organic producers a number of key constraints continue to challenge the UK's organic sector, including continued high levels of imports, practicalities of balancing supply with uneven demand, pressure on UK organic farm gate prices and rising costs of production.

3.1 Land area

Over the last eight years the area of land under organic management in the UK has increased

Figure 5
Organically managed land in the UK ('000 hectares) 1997–2005
(■ fully organic land) (■ in-conversion land)

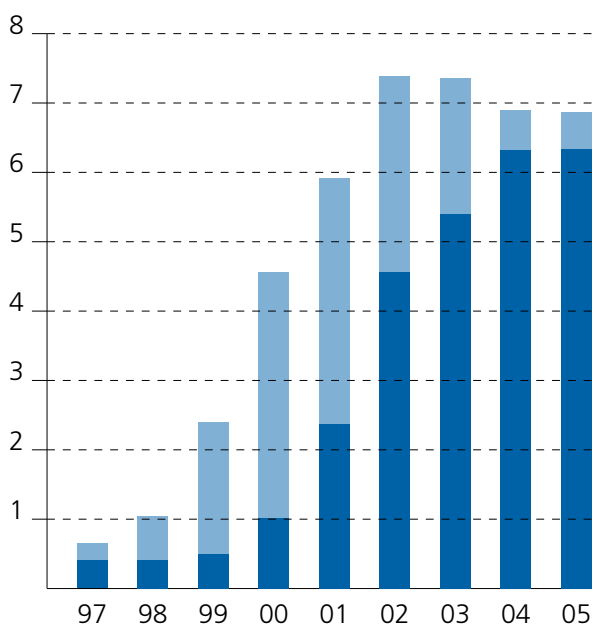


Table 3
Organically managed land (hectares) in the UK 2002–05
(O = fully organic land) (C = in-conversion land)

	O	C	Total
2002			
Hectares	458,650	270,900	729,550
% of organic land	63	37	
2003			
Hectares	534,300	192,100	726,400
% of organic land	74	26	
2004			
Hectares	630,299	58,074	688,373
% of organic land	92	8	
2005			
Hectares	634,222	51,879	686,101
% of organic land	92	8	
% change to 2005	0.6	-10.7	-0.3

10-fold, growing from just 60,000ha in April 1997 to over 686,100 ha in January 2005. Organically managed land now accounts for 3.7% of the UK’s total agricultural land.³⁵

Nevertheless, the total area of organically managed land in the UK has declined slightly over the last three years. In the nine months to January 2005 the total area of organically managed land in the UK fell by 0.3% to 686,101 ha. The area of land in-conversion fell by 10.7% to 51,879 ha (8% of the total organically managed land area) while the area of fully organic land increased by 0.6% to 634,222 ha (92% of the total organically managed land area). The overall decline is primarily due to a reduction in the amount of in-conversion land as much of this land has now achieved full organic status, although the amount of new land entering conversion has also declined.

Organic holdings now represent approximately 1.3% of all agricultural holdings in the UK, with 4,010 organic and in-conversion producers – seven less than in January 2004.³⁵ The reduction in holdings is due to a number of factors including: farms coming to the end of their Organic Farming Scheme or Organic Aid Scheme agreements and choosing not to continue, producers being increasingly affected by higher production costs and decreasing returns, and also, significantly,

some farms getting bigger by taking over or creating partnerships with other existing organic farms.

Of the 634,222 ha hectares of fully organic land in the UK nearly 90% (or 561,656 ha) was grassland (481,044 ha hectares permanent pasture and 80,612 ha hectares was temporary leys). The proportion of fully organic horticultural land remained stable, at 1.2% of the UK’s total organic land area. However, the area of land under horticultural production actually increased by 4.5% from 7,377 ha hectares in April 2004, to 7,711 ha hectares in January 2005.

Arable production accounted for 8% of the UK’s organic land – an increase of nearly 6% from 48,494 ha hectares in April 2004 to 51,234 ha hectares in January 2005. In addition, the area of organic woodland, which includes grazed woodland and wood pasture, increased by almost 25%, from 4,186 ha hectares in April 2004 to 5,219 ha hectares in January 2005. This is largely attributable to a change in the way that woodland is recorded and registered on organic land, linked with the fact that woodland is eligible for ongoing payments under OELS, rather than a large increase in the actual area of organic woodland.

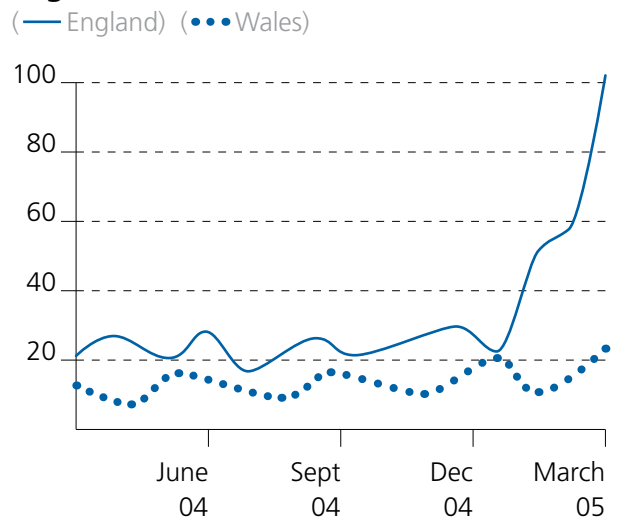
Future projections

Since January 2005, the number of enquiries made

Table 4
Number of organic producers and average farm size (hectares) in the UK 2003–05

2003	<i>Eng.</i>	<i>Wales</i>	<i>Scot.</i>	<i>N Ire.</i>	<i>Total</i>
Producers	2,622	618	725	139	4,104
Hectares	95	88	575	42	177
2004					
Producers	2,570	610	687	150	4,017
Hectares	98	94	543	41	171
2005					
Producers	2,562	640	632	176	4,010
Hectares	101	101	564	38	171

Figure 6
Number of OCIS enquiries England and Wales 2004/05



to the Defra funded Organic Conversion Information Service (OCIS) have increased dramatically across the UK. Enquiries in England and Wales peaked in March 2005, with a total of 129 enquiries (England 105, Wales 24) compared to just 39 (England 21, Wales 18) in March 2004.

This surge in enquiries can be attributed to reform of the Common Agricultural Policy (CAP) and the introduction of the Single Payment Scheme (SPS) and the Single Farm Payment Scheme in Scotland (SFPS) (see Chapter 2, 'Policy Developments in the UK'). Under the SPS and SFPS, subsidy payments are effectively decoupled from production and producers are required to adhere to basic environmental requirements, making organic farming a more attractive option. This, particularly if met with favourable market conditions, could potentially lead to a significant increase in the amount of land entering conversion for the first time in six years.

3.2 Arable

The area of organic land under arable production increased by 6% from 48,494ha in April 2004, to

51,234ha in January 2005. There were significant increases in the areas devoted to wheat (16%), barley (9%), and sugar beet (43%). However, contracts to grow organic sugar beet ended in 2005 so this increase is not expected to continue – a decline is likely. There were notable decreases in the areas of peas and beans (-7%), as well as maize (-50%) and oil crops such as linseed (-26%), of which the latter are notoriously hard to grow organically. However, variations in the proportion of organic land under different arable crops can be largely attributed to rotational variations, and seasonally difficulties in growing and harvesting certain crops.

For most UK farmers the harvest of 2004 was the wettest in many years. Feed grains retained reasonable quality but milling wheat crops suffered badly with relatively few achieving the specifications required for bread making. Producers incurred unusually heavy drying costs and the movement of grain from the farm was delayed while crops were conditioned to achieve marketable quality standards. Feed compounders relaxed their specifications for maximum grain moisture content at intake from 15% to 16%, or even 17% in some cases. Farms were also reluctant to store grain longer than necessary as the relatively high moisture content

Table 5

Fully organic farmed area (hectares) in the UK by enterprise 2003–05

	2003		2004		2005		% change to 2005
	%	Hectares	%	Hectares	%	Hectares	
<i>Grassland</i>							
Permanent pasture	72.3	386,036	76.8	483,905	75.8	481,044	-0.6
Temporary ley	15.6	83,463	12.2	76,969	12.7	80,612	4.7
<i>Total</i>	87.9	469,499	89	560,874	88.6	561,656	0.1
<i>Horticulture</i>							
Fruit, vegetables, salads, herbs and flowers	1	5,225	0.9	5,688	0.9	5,825	2.4
Potatoes	0.3	1,860	0.3	1,689	0.3	1,886	11.7
<i>Total</i>	1.3	7,085	1.2	7,377	1.2	7,711	4.5
Arable	8.3	44,413	7.7	48,494	8.1	51,234	5.7
Woodland	0.9	4,923	0.7	4,186	0.8	5,219	24.7
Fodder, silage and other crops	1.6	8,348	0.9	5,826	0.9	5,903	1.3
Unknown	–	–	0.5	3,541	0.4	2,500	-29.4
<i>Total</i>		534,268		630,298		634,223	0.6

from the wet harvest substantially increased the risk of spoilage in the stored crop. This resulted in high percentages of grain being traded and sold early in the season.

Organic grain prices were somewhat disappointing throughout the marketing season. The international surplus of organic oats from the previous season kept the price of feed grain under pressure as the 2004 harvest began in the UK. Both feed and milling oats traded below £100/tonne ex-farm in the early season and feed barley traded around £115/tonne after harvest. High proportions of wheat crops grown for the milling market failed to achieve the Hagberg falling numbers required and were downgraded to feed, which also contributed to keeping price levels for feed grain muted at £130–135 ex-farm for much of the season.

Due to availability and the changes in the feed standards animal feed compounders are increasing the range of organic raw materials that they use in their formulations. However, they require substantial price discounts below that of feed wheat before they will utilise feed oats, barley and triticale. Feed beans have continued to feature as an important protein source for compounders and on-farm feeding alike. Post-harvest selling pressures

kept prices subdued until the spring when stocks ran short and prices moved up by £20–30/tonne towards the latter part of the season.

Organic farmers are increasing the proportion of milling quality spring wheat varieties that they sow. Spring sown varieties have the capacity to achieve similar yields to those that are winter sown and frequently achieve protein levels 1.5–2.5% higher. Hagberg falling numbers are also usually higher in the spring varieties.

Large-scale millers require wheat blends for milling of 13.5% protein on a dry matter basis to produce flour of volume bread making quality. However, good quality home produced winter wheat only usually achieves 11–11.5%. Consequently, the higher protein spring varieties (typically of 11.5–12%) have the potential to substantially increase reliance on home-grown wheat in the grists. This would help reduce the UK's dependence on high protein milling wheat imports from Canada, the Black Sea countries and Scandinavia, as well as improving returns to UK producers through price premiums and reducing discounting to the feed market. Unfortunately, the failure of the European Commission to confirm the detail of the new regulations for organic animal feeds kept both

Table 6

Fully organic arable production (hectares) in the UK 2003–05

	2003	2004	2005	% change to 2005
Wheat	14,394	16,027	18,563	16
Oats	5,968	7,136	7,219	1
Barley	7,725	7,638	8,344	9
Triticale	3,178	3,030	3,097	2
Rye	393	475	452	-5
Peas/beans	5,680	7,271	6,742	-7
Maize	769	579	287	-50
Oil crops	485	343	254	-26
Sugar beet	376	384	548	43
Set-aside	4,944	4,789	4,633	-3
Not specified	499	823	1,094	33
Total	44,411	48,495	51,233	6

Table 7

Estimated tonnage and farm gate value (£) of arable crops in the UK 2004/05

	Tonnes	£
Wheat (feed)	58,808	8,747,628
Wheat (milling)	14,702	2,444,190
Oats	30,374	3,151,297
Barley (feed)	23,989	2,914,623
Barley (malting)	5,997	847,100
Triticale	13,797	1,734,990
Rye	1,790	331,135
Peas	1,085	188,453
Beans	21,432	3,188,021
Total	171,974	23,547,437

the arable and livestock sectors guessing throughout the season and curtailed any chance of a late rally in prices.

Future projections

With the feed regulations now clarified price expectations for organic grain – especially feed beans and other protein sources – should improve for the 2005/06 season. The area of land under organic arable production is expected to continue to increase over the next few years as increasing numbers of producers consider organic conversion. In 2004, OCIS received 55 enquiries from farmers considering arable production in England and Wales, a figure that increased dramatically to 94 enquiries in the first six months of 2005. The increased interest in organic arable production can be attributed in part to strong market signals and in part to reform of the CAP.

3.3 Horticulture

The area of organic land under horticultural production increased by 4.5% from 7,377 ha in April 2004, to 7,711 ha in January 2005. There were increases in the area of potatoes (11.7%), fruit and nuts (12.7%) and – most notably – herbs (231.4%). Herbs are a high value crop which are experiencing a surge in demand as the popularity of organic health and beauty products continues to grow. However, there were decreases in the areas of alliums and root vegetables (-28.1%), and flowers and ornamentals (-38.2%) over the same period.

Vegetables

Between 2003/04 and 2004/05 the total volume of organic vegetables traded in the UK rose by about 20% to approximately 147,000 tonnes.

The retail value of the organic vegetable market also increased by more than 13% to approximately £224 million. Despite poor weather conditions early in the season, which lead to under supply in some areas, the level of UK-sourced produce increased from 60% in 2003/04 to 65% in 2004/05.

The area of land under organic vegetable production remained relatively stable between April 2004 and January 2005 at approximately 5,900ha. However, this stability masked an 11.7% increase in the area of organic potatoes and a 3.6% decrease in the area of other vegetables.

Downward price pressures were a key market constraint in the 2004/05 season, especially in the multiple retailer supplier base. Adverse weather conditions caused further problems as the later start to the UK season (about two weeks) caused availability problems for many early season crops, and the import season was extended as secondary supplies were needed. Undersupply was particularly noted in carrots and winter and spring green vegetables.

In the short-term, produce availability and low prices (two entirely interdependent factors) are considered to be the greatest constraint to the sector, although a shortage of suitable vegetable land was expected to be a problem in the longer-term. While cheaper imports of 'questionable' integrity were often perceived as a threat to UK growers, wholesale suppliers reported that imports generally met the price, presentation and organisational standards required where UK produce showed a weakness. However, imports from sources where organic standards were less robust were seen to be of poorer quality.

New opportunities have developed in the market

Table 8

Organic horticultural production (hectares) in the UK 2002–05

	2002	2003	2004	2005	% change to 2005
Alliums and root vegetables	1,150	1,588	2,131	1,532	-28.1
Potatoes	3,000	1,860	1,689	1,886	11.7
Green vegetables, salads and protected crops	1,049	1,598	2,050	2,499	21.9
Flowers and ornamentals	128	146	34	21	-38.2
Herbs	60	86	86	285	231.4
Seed production	50	50	68	–	–
Fruit and nuts	897	1,755	1,319	1,487	12.7
Total	6,334	7,083	7,377	7,710	4.5

as many packers and wholesalers diversified their customer base during the 2004/05 season. Most wholesalers have experienced a general increase in demand, and some packers began supplying alternative outlets, such as large box schemes, as well as multiple retailers. In the next season packers and wholesalers predict that potentially, UK supply could increase by almost 20% but the total market for organic vegetables is likely to grow by about 12%. Hence, there could be increased opportunities to substitute imported organic vegetables with UK grown produce.

Fruit

The total market for organic fruit in the UK is worth an estimated £218 million (retail value). Approximately 10% (by value) of this fruit was produced in the UK (or 6.6% by volume). Apart from organic strawberries (more than 50% UK sourced) and apples (12% UK sourced), very little other organic fruit was grown in the UK. However, the majority of this fruit (approximately 70%) was tropical and citrus, which cannot be grown in this country. Nevertheless, despite technical difficulties there is still potential for UK fruit production to expand.

The total market for organic fruit has grown by 10.8% from 2003/04. Growth was stronger for citrus and other fruit (organic bananas, stone and soft fruit), relative to top fruit such as apples and pears. Domestically produced organic fruit and associated produce are mainly sold in farmers' markets, farm shops and by box scheme operators. A relatively low volume of UK fruit goes into retail distribution through multiple retailers and organic food shops.

During the past few years the multiple retailers have

been rationalising their suppliers of fresh produce. They are increasingly using the same suppliers for organic and non-organic fruit. This is causing erosion of the market share of dedicated organic fresh produce companies. The range of organic fruit sold in many multiple retailers has also been consolidated. Whereas multiple retailers once stocked a wide range of fruit, exotic organic fruit like mangoes, papayas, and passion fruit can now only be found in the larger stores. The multiples are now focusing on core products in each category, such as oranges and lemons in organic citrus, organic peaches and apricots in stone fruit, and so on. Organic bananas are the most successful organic tropical fruit and an estimated 38,000 tonnes were sold in 2004. One reason is that many of the organic bananas are also fair trade, appealing to consumers seeking organic and fair trade products.

UK grown fruit

In January 2005, 1,667 ha of organic fruit was grown in the UK, an increase of 13% since April 2004. The estimated farm gate value was £8.7 million, with an estimated retail value of £21.8 million.

The 2004 season was not as successful for UK top fruit growers as the previous year. Poor weather conditions led to lower yields and lower prices due to quality problems. It is estimated that the UK now supplies some 12% of the total market for organic fresh apples and approximately 50% of the organic apple juice market. Other UK organic fruit accounts for approximately 3–4% of their respective crop's total market.

Organic apple growers still lack suitable dessert varieties with resistance to pests and diseases and a consistent cropping performance. Market competition is strong from other countries, which

Figure 7
Volumes of organic vegetables traded (tonnes) in the UK 2001–04

(*provisional)

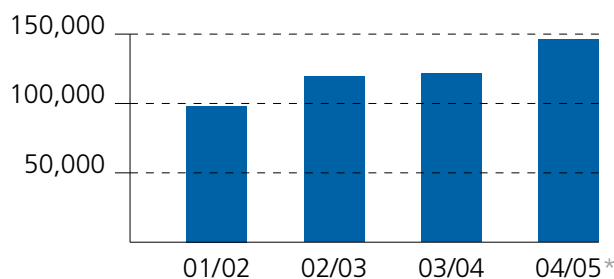


Table 9
Fully organic vegetable and potato production (hectares) in the UK 2003–05

	2003	2004	2005	% change to 2005
Potatoes	1,860	1,689	1,886	11.7
Vegetables	3,186	4,181	4,031	-3.6
Total	5,046	5,870	5,917	0.8

appear to have a more favourable climate for organic production. Both these factors are hindering the conversion of new orchards.

Soft fruit in the UK is dominated by strawberries. Year on year the area continues to expand, and the volumes grown now account for over 50% of the UK organic strawberry market. The demand for organic soft fruit continues to grow at a faster rate than top fruit, with increasing quantities going for processing to meet the rising demand for yogurts, desserts, ice cream, drinks, snacks and baby foods.

Future projections

Overall, the area of land under organic horticultural production increased by 4.5% between April 2004 and January 2005, while the volume of organic vegetables traded rose by approximately 20% to 147,000 tonnes in 2004/05. However, the area of land under vegetable production decreased over the same period. Consequently, it is unclear how organic horticulture is going to develop over the next few years. Enquiries to OCIS about organic horticultural production have not increased to the same extent as some other enterprises. In 2004, OCIS received 86 enquiries relating to horticulture in England and Wales and in the first six months of 2005 this figure has remained relatively stable at 37 enquiries.

This apparent low level of interest is because horticultural producers now have to apply for

a fruit, vegetable and potato (FVP) entitlement to claim payments under the SPS. The FVP Entitlement was introduced to prevent new growers undercutting existing growers, as agricultural subsidies for horticultural production were non-existent before the SPS.

Nevertheless the 2004/05 season has seen increased interest in the public procurement of organic and local food which could impact upon the organic fruit and vegetable market through initiatives such as the Fruit for Schools scheme and a growth in awareness of the importance of healthy eating.

3.4 Seed

Organic seed usage in the UK has increased significantly in the last five years creating new opportunities for organic farms. On average, organic farmers use 70% organic seed on their farms. However, organic seed generally cost 25–50% more than non-organic untreated seed and, in the majority of cases, this extra cost is not passed on to the consumer, leading to decreased profit margins for organic farmers.

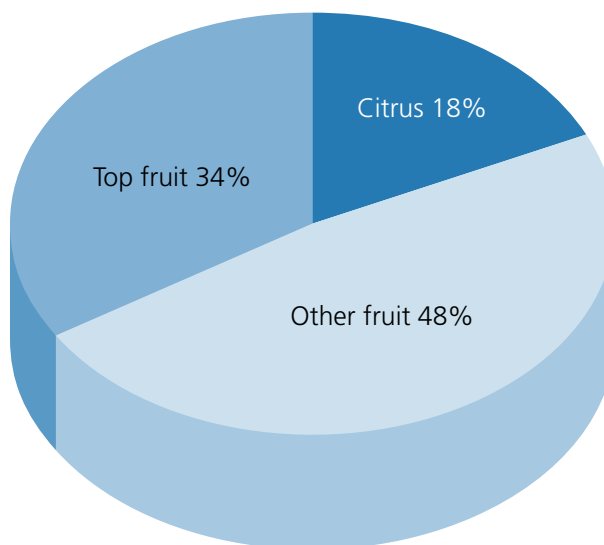
Arable seed

In August 2004, there were concerns that the heavy rainfall could cause fungal disease problems in organic seed crops. However, these concerns did not result in a significant number of authorisations

Table 10
**Tonnes produced and farm gate value (£)
for organic fruit in the UK 2004/05**

Top fruit	Tonnes	£
Dessert apples	2,030	2,030,000
Cider/processing apples	4,266	1,279,800
Pears	366	366,000
Cherries	87	217,500
Plums	201	241,000
Other	87	174,000
Total	7,037	4,308,300
Soft fruit		
Strawberries	525	1,575,000
Raspberries/cane fruit	180	540,000
Bush fruit	340	1,020,000
Other	425	1,275,000
Total	1,470	4,410,000

Figure 8
Market for organic fruit 2004/05



for non-organic seed use being granted and 100% organic seed was used in 2004 for many species.

Grass seed

During 2004 organic producers were required to use a minimum 50% organic seed in grass mixes. This percentage was increased to 60% minimum organic seed usage in 2005, this level will be maintained in 2006. The majority of organic grass seed available is ryegrass and clover with low availability in the timothy, meadow grass and fescue ranges. If 100% organic grass seed usage is to be achieved, a wider variety of seeds – and not just increased volumes – must become available.

Horticultural seed

The use of organic horticultural seed has been increasing steadily and there are now good organic varieties available. However, some varieties are often used in relatively small quantities, such as *Brassic*as, and are not available organically due to the limited commercial viability of producing organic seed in small quantities.

Potato seed

Producers in 2004 were required to use 100% organic potato seed. The use of organic seed potatoes is therefore very high and authorisations to use non-organic seed potatoes are only granted by certification bodies in unusual circumstances, such as heritage varieties. However, there have been some concerns about disease levels in organic seed

potatoes, particularly with regard to black scurf (*Rhizoctonia solani*).

Future projections

Before 31 July 2006, the EU Commission will review the current derogation to use non-organic seed in organic farming. It is a European requirement that all member states must produce an annual report detailing all derogations granted by certification bodies to use non-organic seed, seed potatoes and vegetative propagating material (see www.organicxseeds.co.uk for the *UK Annual Derogation Report 2004*). The publication of the annual report should enable seed suppliers to identify which species of non-organic seed are being used regularly in the EU – and to identify potential markets for organically produced seed.

3.5 Dairy

The consumption of organic dairy products has increased in recent years, with occasional surges of demand followed by slower periods of solid progress. However, 2004 saw the first real signs of recovery for the organic milk market after several years of significant oversupply. From the middle of 2004 onwards, new research – primarily supported by the Organic Milk Suppliers Co-operative (OMSCo) – started to suggest that organic milk is healthier than non-organic milk, containing more omega 3 and more vitamin E and beta-carotene.

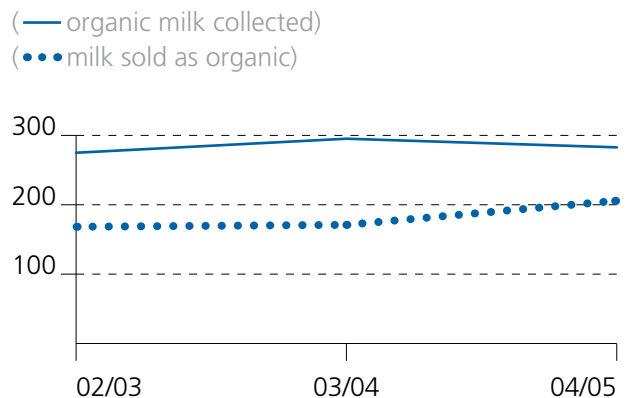
Table 11

Estimated volume of UK organic milk production compared to volume finding an organic market 2002–05

	02/03	03/04	04/05
Estimated number of organic dairy farms	572	554.4	514.8
Total organic milk collected (million litres)	278.7	298	286
Estimated total farm gate value (£m)	67	71.5	68.6
Milk sold as organic (million litres)	167.4	174.9	205.7
Estimated organic farm gate value (£m)	49.4	51.6	60.7
Proportion sold as organic (%)	60.0	59	72

Figure 9

Estimated volume of UK organic milk production (millions of litres) compared to volume finding an organic market 2002–05



This is due to the high clover diets associated with organic dairy production. General marketing activity also increased at this time, particularly in the yogurt sector. For example, Yeo Valley Organic undertook a general promotional campaign after launching fresh milk, butter and cheese to supplement their existing yogurt range, while Rachel's dairy also completed a £3 million investment in their Aberystwyth plant and added a number of new products to their range.

Throughout the latter half of 2004, there was a heightened awareness on farms of the impending changes to the organic feed standards in August 2005. There was, however, some confusion as to whether the changes would be postponed until after August, which left many producers confused as how to plan for the coming cropping year. In light of the potential cost increases brought about by the changes in feed regulations, many producers, having had to contend with two and a half years of depressed milk prices and the ongoing changes in farm support, ended the year very unsure about the future.

However, early 2005 started very positively with significant national media coverage of research from the University of Newcastle upon Tyne further confirming the health benefits of organic milk. This resulted in immediate gains of 30% in organic milk sales, and subsequent increases in sales of other organic dairy products. This significant surge in sales has been very solid with volumes continuing to increase month on month, although to a much lesser extent than the original gains.

Production of organic milk has actually fallen slightly in recent years as a number of producers have left the organic sector, scaled back production, or opted to go out of milk production altogether. Nevertheless, static production – combined with the increase in consumption – has resulted in a gradual strengthening of the market. It is estimated that the

proportion of milk sold as organic increased by 22% from 174.9 million litres in 2003/04 to 205.7 million litres in 2004/05, meaning 72% of organic milk collected was sold as organic in 2004/05. The key issue is whether the gains in consumption will be maintained at the significant levels of recent months or fall back to levels more in line with the historic growth trend.

The small number of Scottish organic dairy farmers have taken very positive steps to take some control of their own marketing. Scottish Organic Milk Producers Association (SOMPA) have employed a marketing manager and have succeeded in ensuring that practically all organic milk in Scotland is now marketed as 'Scottish organic milk'. This has involved making very successful inroads in two of the leading multiple retailers in Scotland.

Future projections

There is now considerable optimism regarding milk prices, and many within the sector have predicted seasonal shortages in the early part of 2006. In 2004, OCIS received 19 enquiries from farmers considering organic dairy production in England and Wales. This jumped to 22 enquiries in the first six months of 2005, although these enquiries have not resulted in applications. It remains to be seen as to how the industry will manage the conversion and retention of organic producers in the medium term so that supplies remain in step with demand, while avoiding significant surpluses or shortfalls which could lead to considerable instability within the market.

The potentially increased feed costs associated with the changes to the organic feed regulation could result in higher spring and summer, and reduced winter production. However, to counter this risk several milk groups are offering stronger financial incentives for winter milk production, as the retail market requires consistency of production throughout the year.

3.6 Eggs

Organic eggs are a key growth area with some egg packers reporting double figure sales increases to the multiple retailers during 2004. Producer packers and direct retailers also saw an increase in their market and in some areas of the UK – most notably the Southeast – they are able to demand significant premiums.

However, growth in the organic egg market is still hampered by discrepancies in production standards between organic certification bodies. This has not been helped by the announcement in November 2004 that the derogation allowing flock sizes and stocking densities greater than that specified in the EU regulation will be extended until 2010. This derogation prolongs the disparity of production standards, scales and costs of production and creates a very uneven playing field for producers. It also exacerbates consumer confusion about different organic standards and the comparison with free-range standards. There were fears that the end of the derogation would have reduced the supply of UK organic eggs by a third. However, this has not been the case and, in fact, led to a period of oversupply during summer 2005.

The British Egg Information Service (BEIS)³⁶ estimate that the retail market for organic eggs was worth an estimated £17 million in 2004, approximately 3% of the total egg market. The organic egg market is still dominated by the multiple retailers who have an 82% share.³⁷ The UK organic flock amounts to approximately one million hens, of which the vast majority are certified by Organic Food Federation (OFF) and Organic Farmers & Growers (OF&G) who continue to operate a derogation on flock size and stocking density to the Compendium (UK baseline) organic standards set by Defra.

There is resistance from some multiple retailers

to stocking eggs from systems with higher animal welfare standards on the basis that the additional costs would limit sales. For example, 2004 saw Sainsbury's de-list Soil Association certified organic eggs in favour of eggs certified to the baseline standards. However, in 2005 Sainsbury's reintroduced Soil Association certified eggs, produced in Yorkshire, in their Yorkshire stores, with reported sales growth of more than 50% in six months. This indicates that some consumers are prepared to pay more for regional provenance and high animal welfare standards.

The most significant change to the standards during 2004 was the enforcement of the requirement to use organic pullets where possible. The shortage of organic pullets, particularly in certain areas of the UK, meant that some producers could continue to use non-organic pullets while others had to bear the cost of organic pullets. It is estimated that the additional cost of organic pullets equates to an additional £0.10/dozen eggs. While many direct retailers are able to increase their end price to reflect this, producers selling through packers to the multiple retailers are struggling to obtain an equivalent increase.

During 2004 producers had to deal with the exclusion of synthetic amino acids and the impact this had on production levels and feed costs. Problems were anticipated but in most cases good reformation of rations meant that these did not materialise. To compensate for the lack of synthetic amino acids many feed compounders use an increased inclusion of high quality proteins, marginally increasing the cost of feed.

Future projections

There is continues to be potential for growth in the organic egg market. However, organic producers will face some significant technical challenges in the coming years with additional requirements in the standards and the forthcoming end to

Table 12
UK egg market 2004

	Market share %	Retail value £
Cage	66	374,880,000
Free range	24	136,320,000
Barn	7	39,760,000
Organic	3	17,040,000

derogations, such as changes to the organic feed derogation and the regulations governing flock sizes and stocking densities. In addition, the multiple retailer perception of a price 'ceiling' for organic eggs is squeezing producer margins, whilst costs continue to increase.

3.7 Aquaculture

Salmon

Scotland produces the vast majority of organic salmon sold in the UK. Organic aquaculture in Scotland is focused around the islands, and the majority of production is in the Western and Orkney Isles. The smaller amount of organic production in the Shetlands is expected to increase in the near future, with newly certified salmon farms and expansion into new species such as cod and shellfish.

Production has decreased in the last year with approximately 2,500 tonnes of organic salmon produced on organic fish farms in Scotland in 2004/05 at a farm gate value of £6.8 million, compared to 3,117 tonnes produced in 2003/04.

The fall in production resulted in an increase in the average price of salmon from around £2.40/kg to around £3/kg. It has been suggested that the small fall in supply was due to wariness of market trends and the potential for husbandry problems.

Approximately 60% of farmed salmon is sold fresh, mainly within the UK, with the balance going for smoking and other forms of processing usually within Scotland. Small amounts are sold direct at local farmers' markets.

Trout

Organic trout is produced in England and Ireland. Production has remained stable through 2004/05 at approximately 320 tonnes, although some individual producers report substantial increases in output. The main market continues to be for whole fish via multiple retailers, but direct sales through farm shops and farmers' markets are reportedly increasing. Demand is solid, but is still significantly dictated by the multiple retailers' decisions on whether or not to sell organic trout products.

3.8 Meat

Pork

An estimated 47,000 organic pigs were slaughtered in 2004, representing a 6% decrease on the previous year. This was due to continued imports of lower cost pork products and financial pressure on UK organic pig producers. However, farm gate prices appear to have largely stabilised at £6.8 million after the depressed prices in 2003/04.

In early 2004 organic pig meat sales looked promising and, at one point, it even seemed likely that more pig producers would be needed to supply the multiple retailers. However, by the end of the year the problems regarding imports returned and marketing pork through the multiples became problematic once again.

Although the derogation allowing certain European countries to rear non-organic weaners on organic feed and market them as organic no longer exists, there are still differences in standards between the UK and other countries. Many European countries have no requirement to keep pigs outside from

Table 13

Estimated production (head) and farm-gate value (£m) of organic livestock in the UK 2002-04

	2002/03		2003/04		2004		% change	
	Head	£m	Head	£m	Head	£m	Head	£m
Beef	15,000	10.1	18,500	12.4	19,284	13.7	4.2	10.5
Lamb	160,000	8.1	150,000	7.9	158,912	9.4	5.9	19
Pork	62,000	8.2	50,000	6.7	47,000	6.8	-6	1.5
Table birds	3,500,000	17.5	4,250,000	21.3	5,744,804	51.7	35.2	

Note: Caution should be taken when comparing the farm gate value for organic table birds with previous years' figures due to improvements in the methodology used

weaning onwards, demanding only that they have access to an 'outdoor area' that could be as minimal as a straw covered concrete run. The costs of producing pigs in these straw barn systems are much lower than free range systems.

Due to the seasonal production cycle of outdoor systems, pig production peaks in the autumn – a time of year when meat sales are generally low. In 2003, this seasonal demand followed a predictable pattern, with a marked increase in demand for UK pig meat in the run up to Christmas. However, in 2004 this did not happen as UK consumers tended to buy less roasting joints, stewing meat and anything else that is thought to be difficult or time consuming to cook. With pig meat this has meant that organic pork legs have been difficult to market, leading to situations where there is demand for other cuts but the lack of market for legs has held sales back.

The general consensus is that consumer demand for organic pork matches UK production levels. However, many multiple retailers continue to buy significant quantities of lower priced imported pig meat. Imports are attractive to the multiples because they are cheaper and they can buy individual cuts rather than whole carcasses.

Direct sales of organic pig meat continued to grow. This sector does not have the issues of carcass utilisation that the multiples do, and any unwanted joints can easily be converted to sausages. The multiples cannot do this because of the short shelf life of organic sausages and the non-existent market for frozen organic produce.

Lamb

In 2004, some 158,912 organic lambs were

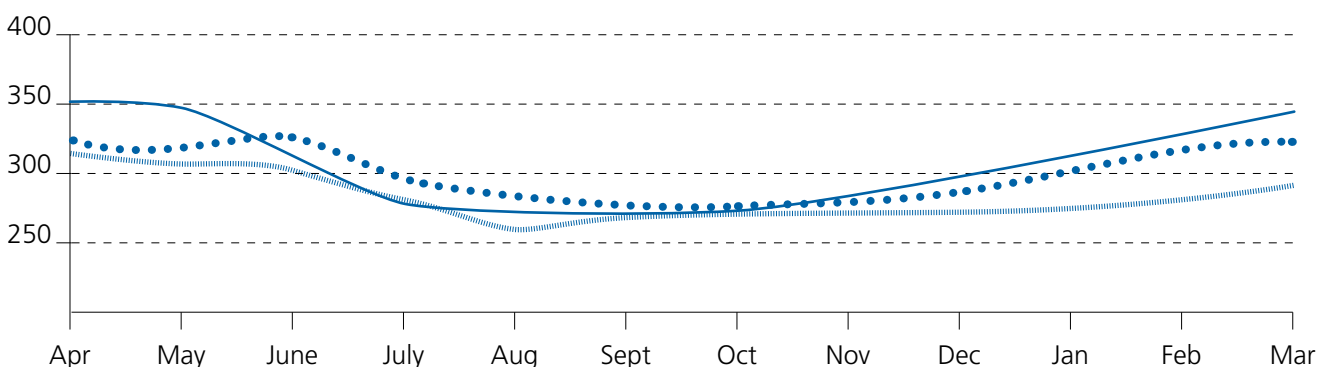
slaughtered with a farm gate value of approximately £9.4 million. The problem with lamb marketing is that although it follows a recognisable price cycle it is very difficult to achieve stability in how high the peaks and how low the troughs will be. This natural cycle brings lower prices in the autumn, rising in the New Year to reach a peak when new season lamb comes in, before dropping again towards the autumn. Such instability leads to a lack of confidence in producers to hold store lambs into winter months resulting in lambs being lost to the conventional sector leading to shortages of organic lambs for finishing in winter and early spring. With good producer cooperation and better commitment through the supply network the UK organic lamb sector could undoubtedly meet 100% of domestic demand for 52 weeks of the year.

Typically, there is a greater seasonal variance in the price paid for organic lamb than other meat sectors. However, price data requested from Graig Farm Organic Producers Group, who supply one multiple retailer, suggest that this is changing. Looking at figure 10 (below), which compares the 12-year average monthly price paid for organic lamb with the average monthly price over the last four years and 2004/05, it is apparent that the average monthly price paid is becoming more constant. Overall, it appears that the average monthly price is moving closer to the lowest price traditionally received during the late summer/early autumn months. However, this price will not cover the costs of production associated with keeping lambs over winter and therefore there is arguably less incentive for producers to extend the season for British organic lamb. This trend may prevent the UK organic lamb sector from supplying 100% domestic demand throughout the year.

Figure 10

Average related organic lamb prices (pence per kg deadweight)

(— average price 1993–2005) (●●● average price 1999–2005) (▒ price 2004)



Some processors supplying multiple retailers import all their lamb requirements for the first few months of the new season. This can cause a 'catch 22' situation – if the multiple retailers can offer a sensible forward price for this time of year then producers can tell if it is worthwhile to produce lamb out of season. If processors and their retail partners lack confidence about supply they will import. Imported organic lamb comes mainly from New Zealand but in 2004 the numbers available from this source were lower than usual and the price was higher. If this trend continues it could make UK lambs more attractive to the multiples and encourage forward price setting.

In the autumn of 2004, there was less of a glut of organic lambs as good grass growth through the season brought finished lambs forward up to a month earlier than the previous year. If the supply of organic lambs can be spread more evenly through the year it is likely to provide better returns for producers. This could be achieved by moving lambing periods where appropriate, organising the finishing of store lambs from upland areas and better collaboration between producers and their marketing groups, and the processors and retailers.

Although higher numbers of organic lamb were sold in 2004 than 2003 a significant quantity of organic lamb still ended up in non-organic markets, both as stores and finished animals. There was a low price differential between organic and non-organic lamb in the spring of 2004 which enabled producers to sell their lamb locally as non-organic without reducing profit margins. Similarly, in the winter of 2004 the non-organic store price reached high levels and many organic lambs were again lost to non-organic markets.

There was no organic light lamb market this year due to Morrisons taking over Safeway. Producers of light lamb had to either sell livestock as stores or go for the non-organic export trade, which is unpredictable. However, most light lamb producers did seem to find homes for their lambs even if they were not sold as organic.

There was some concern in mid-2004 that the organic lamb market was reaching saturation, and that would-be organic lamb producers should be cautious. At that time the predictions for the demand for organic lamb were static. There is certainly a need for better market intelligence and greater collaboration in the lamb market to ensure an organic market for existing producers and those

who may convert in the future.

The market for organic breeding sheep stabilised in 2004 with producers and certification bodies signing up to enforce the use of organic replacements. Several upland producers who had been struggling with store lamb production have switched to breeding stock production, both of mules and other cross bred sheep. The Soil Association's online organic marketplace – www.soilassociation.org/organicmarketplace – and several new certified live auction sales have helped to balance supply and demand for both these categories of sheep, as have regional producer group activities.

Beef

In 2004, some 19,284 beef cattle were slaughtered, representing an increase of 4.2% since the previous year, with a farm gate value of approximately £13.7 million.

In 2004, Sainsbury's changed their sole processor for organic and non-organic beef. This led to a slightly higher price for organic producers if they could meet tighter specifications (price incentives for E/U 3/4L type cattle within specified weight ranges). When producers convert to organic farming they often move away from continental breeds to indigenous breeds and crosses that are more suited to low input or extensive production. In the spring of 2004 the target organic beef specification for Sainsbury's jumped almost overnight from a low of 240kg dead weight to 270kg dead weight. The Soil Association worked with producer groups to lower this to 250kg for a period of 12 months to allow producers time to look at their breeding and management strategies, and to make any changes needed to supply this market.

Overall, demand for organic beef increased throughout 2004 and the supply and demand was reasonably balanced. However, at certain times of the year producers had stock finished before the market was there for them. This risks stock becoming over-fat with resulting financial penalties. Producers can avoid this kind of situation by keeping in closer touch with their markets.

The Over 30 Months Scheme (OTMS) stayed with us throughout 2004. However, Defra have confirmed that it will be removed on 7 November 2005, and replaced by the testing regime recommended by the Food Standards Agency. The removal of the OTMS will suit some extensive

and traditional organic producers, and may provide a marketing advantage. However, costs of production and any additional slaughtering or processing will need to be considered carefully.

2004 saw the emergence of some of the finer details of Common Agricultural Policy (CAP) reform. The knowledge that these would be introduced from January 2005 influenced cattle values, particularly in the store market in the back end of 2004. CAP reform has removed subsidy from the beef sector and, in theory, steer and heifer store prices should move closer together. At the beginning of the year organic (and non-organic) store prices increased dramatically and producers were buying at a price where it was difficult to see how they would make any profit. Towards the end of the year prices eased as buyers realised that subsidy was no longer an issue, and concentrated on purchasing quality animals.

With CAP reform changes now in place, beef producers must take a hard look at their systems – the economies of production will be made more difficult due to the decoupling of support, although organic livestock systems will benefit from cattle to achieve a ‘whole systems approach’. Pre-CAP reform beef production for many producers was strongly influenced by suckler cow premium, beef special premium, and the slaughter premium – with the decoupling of support, decisions for organic farmers should be focused on the value of cattle to the farming system and its direct profitability. Whichever system they opt for producers would be well advised to focus on market opportunities and then aim to meet the quality parameters of that market.

A significant quantity of organic beef was imported in 2004, much of it from South America. This was despite the fact that UK producers could have met processor requirements. The import market is stimulated by confidence in supply, price benefits to the processor, and the opportunity to purchase specific cuts rather than whole carcasses as offered by UK suppliers. For 2004 the price band for organic beef was 220–265p/kg dead weight with little seasonal variation.

Table birds

During 2004, an estimated 5.7 million birds were slaughtered, an increase of 35% on the previous year. Growth was constant throughout 2004 and shows no sign of abating in 2005. Demand appears to be driven largely by greater awareness of issues such as the effects of intensive production systems and antibiotic resistance.

In 2004, the removal of synthetic amino acids from organic rations meant that producers had to absorb an increase in feed costs of approximately 7p/bird. However, the retail price through the multiple retailers remained fairly static. In 2005, changes to the feed regulations relating to the organic percentage of rations are likely to lead to further increases in production costs. While this may cause additional problems for producers who supply the multiple retailers, small independent and direct retailers are struggling to satisfy the demand of their customers and can therefore demand a healthy premium.

The requirement to use organic chicks where they are available has led to a disparity in the production costs for some organic producers. The lack of availability of organic chicks in many areas means that while some producers continue to use non-organic chicks for around 50p, others are having to buy organic chicks for 70–100p. This situation looks set to continue until a date is set by the EU to end the derogation allowing the use of non-organic chicks.

Future projections

Calls to OCIS regarding organic livestock production have increased significantly in the first six months of 2005 when compared with 2004. OCIS recorded 84 enquiries about beef in the first six months of 2005 (compared with a total of 44 enquiries in 2004), 40 enquiries about sheep in 2005 (28 enquiries in 2004), and 16 enquiries about pigs in 2005 (18 enquiries in 2004).

However, the organic red meat sector continues to experience problems with import levels and supply network organisation and it is unclear how demand for organic red meat will change over the next few years.

Enquiries to the OCIS helpline relating to poultry enterprises have also increased with 27 calls received during the first six months of 2005, compared with 42 in 2004. Looking forward to 2005/06, reports indicate a potential shortage of organic poultry in the UK and Europe as consumer demand continues to grow.

3.9 Feed

There was much speculation throughout 2004 as to how the derogation to feed non-organic ingredients to organic livestock would change in August 2005. This made it difficult for both arable and livestock

producers to plan for the coming cropping year, and left producers unclear as to how the changes would impact financially on their business.

From 25 August 2005 organic livestock farmers face tougher rules on feeding non-organic materials to livestock, following changes to the EU organic feed regulations. The new rules limit the maximum non-organic feed allowance for both ruminants and non-ruminants.³⁸ Defra are now enforcing the EU regulation and farmers, or their compounder supplier, will have to be able to demonstrate that no organic alternative was available before decisions are taken to use any non-organic feed ingredients. Producers are therefore advised to look carefully at how to feed 100% organic diets, whether through buying in organic straights and blending feeds, altering their forage management to reduce reliance on brought-in feeds, or by encouraging feed mills to supply 100% organic compounds.

Farmers must always attempt to source organic supplies in the first instance. However, in exceptional circumstances they can feed a maximum of 5% non-organic materials to ruminants on an annual basis until 31 December 2007, provided no organic alternative is available. Similarly, farmers can feed non-ruminants a maximum non-organic allowance of up to 15% until 31 December 2007, before reducing to a maximum of 10% between 1 January 2008 and 31 December 2009, and finally up to 5% from 1 January 2010 until 31 December 2011. A 100% organic diet must be fed thereafter.

Defra have compiled a so-called 'green' list of permitted non-organic feeds (certification bodies have more information) which are deemed to be in short supply, and which can be fed where justification is provided. Feed mills will also need prior permission before milling compounds with non-organic ingredients. Farmers can get permission retrospectively at inspection but must demonstrate no availability of organic ingredients at the time of purchase.

3.10 Farm incomes

The latest financial results for organic farms in England and Wales from a three-year Defra funded study show mixed results for key farm types based on 2001/02 and 2002/03 financial years.

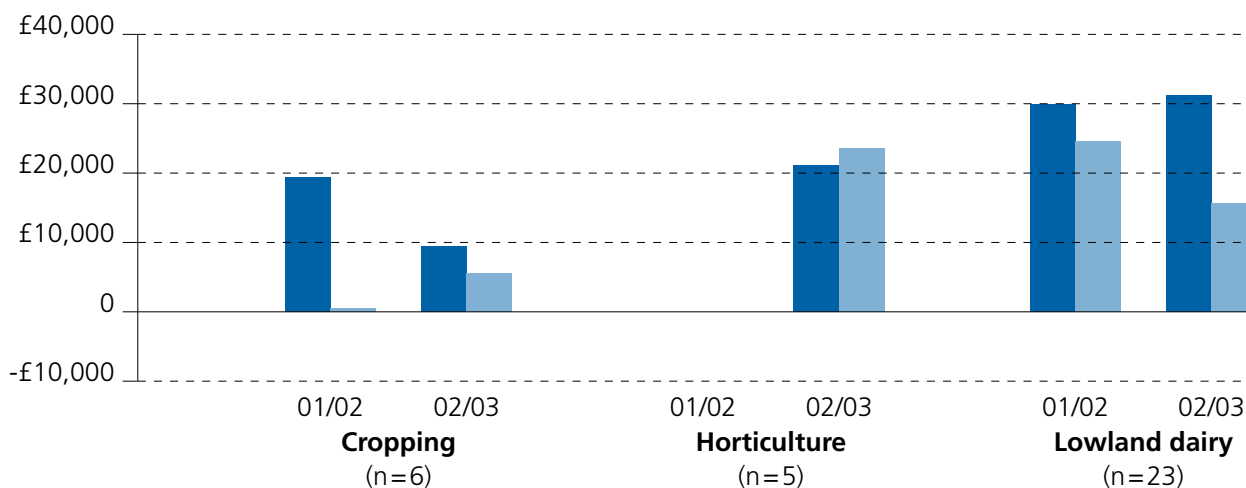
Using Farm Business Survey methodology, financial data was recorded from organic cropping, horticulture, lowland dairy, lowland and less favoured area (LFA) cattle and sheep farms and mixed farms. An identical set of farms was used for between years' comparisons. Clusters of similar non-organic farms are also matched for each organic farm within the survey for further comparison.

For the 2002/03 financial year, the results for 104 organic farms indicate relatively low incomes on a net farm income basis. In particular, net farm income from the organic lowland and LFA cattle and sheep farm types did not cover the theoretical value of the farmers' own labour, giving a negative management and investment income.

Figure 11

Average net farm incomes (£ per farm) for organic and non-organic farms 2001–03

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



When results for an identical sample of farms in 2001/02 and 2002/03 are compared, incomes for these farm types improved in 2002/03 after the outbreak of foot and mouth disease as livestock prices increased for most livestock classes during this period. This improvement can also be seen in the lowland dairy and mixed farms, despite the emerging milk surplus, but cropping farms saw returns decline compared with 2001/02.

Organic farms performed better in most cases in 2001/02 when compared with similar non-organic farms. However, this situation was reduced or reversed in 2002/03 as non-organic prices recovered and the price difference between organic and non-organic declined, except in the case of the non-organic dairy farms which saw a reduction in net farm income from 2001/02 to 2002/03. (The full reports are published on the Defra and Organic Centre Wales websites. 2003/04 data is expected to be available by the end of 2005.)

3.11 National and regional developments

In January 2005, 258,234 ha (37.6%) of the UK's organically managed land was in England, 64,390 ha (9.4%) was in Wales, 356,764 ha (52%) was in Scotland and 6,714 ha (1%) was in Northern Ireland. England accounts for 55% of the UK's in-conversion land, although Scotland retains 54.3% of the UK's fully organic land. In the nine months to January 2005, Wales (12.3%) and Northern Ireland (8.1%) saw the largest increases in organically managed land area.

Developments in England

Within England, the Southwest region has the largest number of organic producers (1,008). However, this figure remains static on the previous year and the Northeast of England has seen the highest growth in producer numbers, from 73 in January 2004 to 78 in January 2005. England has 63.8% of the UK's organic producers, while Wales has 16%, Scotland has 15.8% and Northern Ireland has 4.4%. Northern Ireland saw the largest growth in the year to January 2005 with a 17.3% increase in the number of organic producers.

The Soil Association recognises that there is considerable and effective organic business activity in English regions not mentioned specifically in this report. The regions reported on below have dedicated support and development programmes operating. These programmes enable specific regional or national data and intelligence to be used in the production of this report. No offence is intended by the absence of data commentary on any region in the UK.

The Northeast

The Northeast region of England includes County Durham, Tees valley, Tyne and Wear, and Northumberland. In January 2005, there were 78 registered organic and in-conversion producers and 26 registered processors in the Northeast, less than in any other region of England. The Northeast has 29,927 ha of organically managed land.

Sheep and beef production predominate, particularly in the northern part of the region, with just one

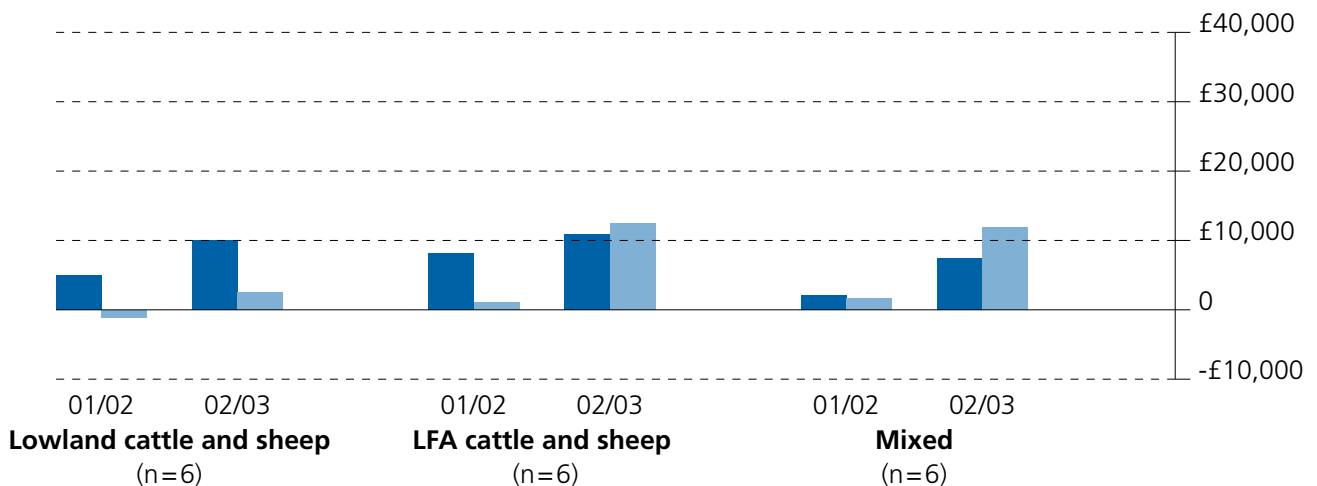


Table 14

Summary of financial data for different organic farm types 2002/03

	Cropping	Horti- culture	Lowland dairy	Lowland	LFA	Mixed
Sample size	12	5	30	19	22	16
Average farm size (ha)	107.8	30.2	99.5	79.1	123.7	125.6
Outputs						
Livestock	25,281	1,139	139,435	26,523	27,387	53,646
Livestock subsidies	4,607	1,071	1,487	12,771	16,336	16,113
Cropping	48,683	285,863	5,789	3,122	1,248	24,651
Cropping subsidies	14,877	0	5,332	1,925	477	11,639
Miscellaneous	7,059	10,241	6,181	4,748	6,538	5,967
Agri-environment payments	6,230	773	7,422	6,029	10,366	13,040
<i>Total</i>	106,737	299,088	165,645	55,118	62,353	125,056
Inputs						
Livestock	13,002	2,200	50,425	7,638	13,134	26,440
Cropping	13,766	116,448	4,516	2,069	1,940	8,322
Labour	11,228	82,293	18,968	3,858	5,105	15,908
Machinery	20,053	40,949	27,012	12,391	12,814	25,224
General	8,071	16,220	12,009	6,507	5,589	10,658
Land and rent	18,663	19,086	25,328	12,134	12,827	22,156
<i>Total</i>	84,782	277,197	138,258	44,597	51,409	108,709
Net farm income	21,955	21,891	28,121	10,517	10,944	16,347
Less farmer/spouse labour	11,505	10,657	16,624	16,261	13,677	15,929
Additional paid management	0	0	0	0	0	0
Add livestock appreciation	0	0	1,053	353	215	540
Management/invested income	10,450	11,234	11,816	-5,387	-2,518	958

Note: Economic pressures during 2002/03 should be noted; including the aftermath of foot and mouth, downward pressures on non-organic farm-gate prices and support payments, as well as an increasing supply of organic products from the domestic market which also began to exert downward pressure on organic prices overall, particularly for milk and cereals.

Table 15

National distribution of organically managed land in the UK 2003–05

England	2003	2004	2005	<i>% change to 2005</i>	<i>% of UK total</i>
In-conversion	60,979	32,474	28,867	-11.1	55.6
Organic	188,339	219,081	229,367	4.7	36.2
<i>Total</i>	249,318	251,555	258,234	2.7	37.6
Wales					
In-conversion	12,925	7,815	8,948	14.5	17.2
Organic	41,381	49,546	55,442	11.9	8.7
<i>Total</i>	54,306	57,361	64,390	12.3	9.4
Scotland					
In-conversion	116,639	16,523	12,490	-24.4	24.1
Organic	300,240	356,725	344,274	-3.5	54.3
<i>Total</i>	416,879	373,248	356,764	-4.4	52.0
Northern Ireland					
In-conversion	1,547	1,262	1,574	24.7	3.0
Organic	4,307	4,947	5,140	3.9	0.8
<i>Total</i>	5,854	6,209	6,714	8.1	1.0
<i>Total</i>					
In-conversion	192,090	58,074	51,879	-10.7	7.6
Organic	534,267	630,299	634,222	0.6	92.4
	726,357	688,373	686,101	-0.3	

Table 16

Number of registered organic and in-conversion producers in the UK 2003–05

England	2003	2004	2005	<i>% change to 2005</i>	<i>% of UK total</i>
Northeast	73	73	78	7	1.9
Northwest	171	165	164	-1	4.1
Yorkshire and Humberside	136	132	137	4	3.4
East Midlands	220	217	212	-2	5.3
West Midlands	330	320	320	0	8.0
Eastern	248	250	244	-2	6.1
Southwest	1026	1,007	1,008	0	25.0
Southeast (including London)	418	406	399	-2	10.0
	2,622	2,570	2,562	-0.3	63.8
Wales	618	610	640	4.9	16.0
Scotland	725	687	632	-8	15.8
Northern Ireland	139	150	176	17.3	4.4
<i>Total</i>	4,104	4,017	4,010	-0.2	

organic dairy farm and another due to complete organic conversion in 2005. Five producers are licensed for organic vegetable production in the region, and only very small volumes of organic pig and poultry are produced, primarily sold at the farm gate and through independent retail outlets. While sheep and beef production represent the two largest volume organic enterprises, this signifies a heavy reliance on sales outside the region and a significant proportion of organic stock is sold as non-organic, mainly as store livestock.

Many of the organic livestock are sold to one large processor slaughtering for the multiple retail trade in Yorkshire, and options for those selling direct have been limited to just one abattoir plant within the region. The Northeast hosts one strong organic red meat brand, Northumbrian Quality Meats, which established itself in 2004 as an entry point to the retail market for several other local organic producers, as well as providing a cutting service for others through their on-site meat cutting facility. During the year the Northumbrian Quality Meats brand made strong headway into local, regional and national markets via farmers' markets, internet sales, retail outlets, and quality catering establishments.

The Northeast is host to a small number of both long established and newly formed organic retail outlets and box schemes, who all reported strong demand for quality organic produce in 2004. Most are looking to increase the sourcing of supplies from within the region. Areas of severe underdevelopment include organic horticultural production (where a lack of labour and skills, the

climate and topography are commonly mentioned as barriers), dairy production, particularly in the northern part of the region, and pig and poultry production.

In addition, there is a lack of regional organic processing and product development across all enterprise ranges, including slaughtering and meat processing facilities. In particular, there are no organic vegetable packing, processing and distribution facilities on any scale. However, as demand for regional produce continues to develop, and local processing capacity improves, business opportunities will emerge for dairy products, such as butter, cream, cheese and yogurt; meat products, including table poultry processing; pork products, such as bacon and hams; and red meat products.

The Northwest

In January 2005, there were 164 organic and in-conversion producers and 125 organic and in-conversion processors in the Northwest region, which includes Cumbria, Lancashire, Greater Manchester and Merseyside. The Northwest has 2,553 ha of in-conversion land and 20,042 ha of fully organic land, representing 11.6% of England's total organically managed land in January 2005.

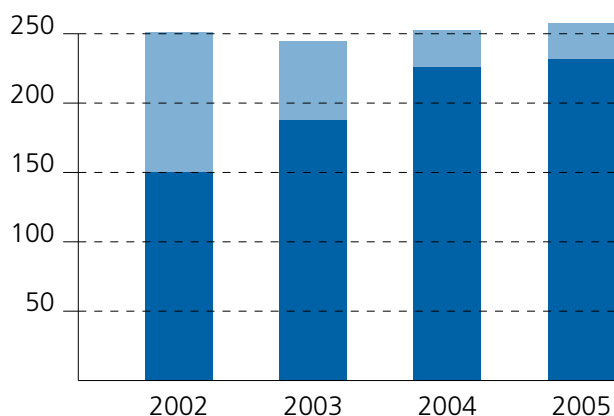
The number of retail outlets in the region that sell organic produce is increasing rapidly with more and more retailers looking to source fresh and local organic produce. There are also several initiatives underway to expand direct sales to the public.

As in other areas of the country, demand for organic fruit and vegetables is increasing rapidly in the

Figure 12

Change in organically managed land area ('000 hectares) in England 2002–05

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



Northwest. Although a number of organic box schemes in the region are expanding rapidly they are finding it difficult to keep up with demand, and this looks set to continue in 2005. The region also saw the first conversion of an organic mushroom grower in 2004.

After a long period of instability, felt particularly in the Northwest region where there is significant organic dairy production with very little milk accessing an organic market, the organic dairy market is picking up. In 2004, a project was initiated by organic dairy farmers, the Cumbria Organic Business Network, and the Northwest Organic Centre, to gain an insight into the organic dairy market, and explore the opportunities for local dairy producers.

Although the market for table birds and laying hens is growing, a lack of processing facilities is holding back the development of this market. Diversification into alternative breeds, species and products, such as goose eggs, is likely to provide more opportunities for organic producers.

The organic red meat sector is also developing steadily with a new abattoir and butchery licensed to handle organic stock. This has made a significant difference to organic beef and sheep farmers in the region as it is no longer necessary to transport animals long distances for slaughter. Twenty five farmers now sell significant volumes of branded home organic meat direct to the public and there are market opportunities for more farmers to sell organic meat directly to the public, especially in Lancashire and Cheshire.

Cornwall and the Isles of Scilly

There are currently 132 registered organic producers in Cornwall, of which only seven were converted before 1998. There are 41 organic processors in Cornwall, many of whom have added value to produce and created successful brands. Examples include Barwick Farm, Penheale Organcis, Helsett Farm, Carley's of Cornwall Ltd and Roskilly's.

Enquiries to OCIS from producers in Cornwall doubled in the first six months of 2005 when compared with the whole of 2004. Organic South West (OSW) recently held an organic conversion event for non-organic producers, and it was attended by 15 Cornish producers, representing a potential 1,540 ha for conversion over the next 12 months.

Organic agriculture is recognised as having positive benefits for the economy and tourist industry of the Scilly Isles. OSW is therefore collaborating with the tourist board, Area of Outstanding Natural Beauty (AONB), Defra and the Isles of Scilly Wildlife Trust, all of whom would like to see a higher level of environmental practice on the islands. The Isles of Scilly Wildlife Trust manage approximately three-quarters of the landmass of the Scilly's and they are considering organic conversion.

Yorkshire

In January 2005, there were 9,801 ha of organically managed land in the Yorkshire region, 13% of which was in-conversion and 87% of which was fully organic. There are 137 organic and in-conversion producers in the region, representing a 4%

Table 17

Organically managed land area (hectares) in England 2005

	Eastern	East Midlands	Northeast	Northwest	
Organic	10,524	13,285	25,354	20,042	
In-conversion	2,413	1,154	4,573	2,553	
Total	12,937	14,439	29,927	22,595	
	Southeast	Southwest	West Midlands	Yorkshire	England
Organic	34,887	90,320	26,703	8,523	229,367
In-conversion	5,447	9,077	2,371	1,278	28,867
Total	40,334	99,397	29,074	9,801	258,234

increase on the previous year, as well as 134 organic processors.

There is a strong and continued interest in regional and local branding in Yorkshire, which is continuing to prove advantageous to those organic producers with ready-to-retail products. More and more producers are interested in selling their produce through direct markets or adding value, including meat boxes, and milling and retailing their own organic cereals for flour. It is recognised as essential that producers maintain strong communication with the end market. Producers who have responded to market demands, and met their customers' needs, have been very successful.

Consumer demand for organic poultry products continues to increase despite a lack of regional processing facilities.

The introduction of the organic Entry Level Scheme (OELS) (2005) has encouraged a number of farms to consider the option of organic production, with some looking at organic production as a way to access new markets with their current farm production systems.

As the organic dairy market starts to stabilise, existing organic producers in the region are now looking to increase production capacity in anticipation that the continuing consumer interest in organic milk may lead to supply shortages and a subsequent price increase. The dairy project initiated in the Northwest of England has extended into Yorkshire with the recognition of common problems and the aim of better collaboration.

Despite the positive developments in Yorkshire, the geographical spread of organic producers across the region means that high transport costs can be a problem. This has resulted in a slow uptake of farm-to-farm trade in some areas, although producers are increasingly working together to explore ways of reducing costs.

Developments in Northern Ireland

Organic production in Northern Ireland continues to expand and in January 2005 some 6,713 ha of land was managed to organically managed to organic standards in Northern Ireland. Of this area, 5,140 ha is fully organic, while 1,574 ha is in-conversion, representing an increase of 25% in in-conversion land during the nine months to January 2005. Despite this growth just 0.7% of Northern Ireland's total agricultural land is organic, while Northern Ireland has just 1% of the UK's organically managed land. In January 2005, there were 176 organic and in-conversion producers and 41 organic processors in Northern Ireland.

Volumes of organic sales in Northern Ireland continue to grow, with most produce sold through direct sales to consumers. The multiple retailers account for a large proportion of organic sales with milk, eggs and poultry being locally produced, and sales of organic beef, lamb and pork remaining at a modest level.

While the processing industry is showing a growing interest in organic certification, the retailers remain heavily dependent on imports in order to provide a wider range of products for consumers.

Figure 13
Change in organically managed land area ('000 hectares) in Northern Ireland 2002-05
(■ fully organic land) (■ in-conversion land)

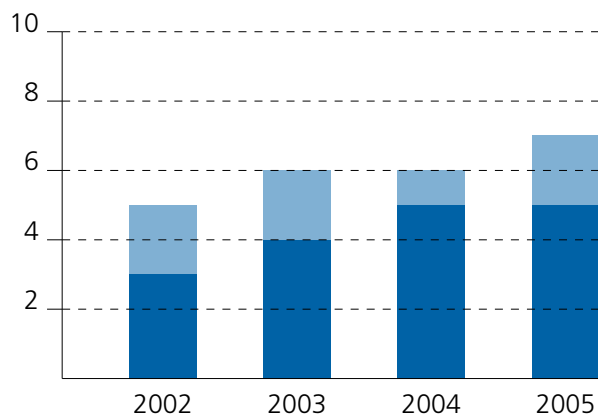
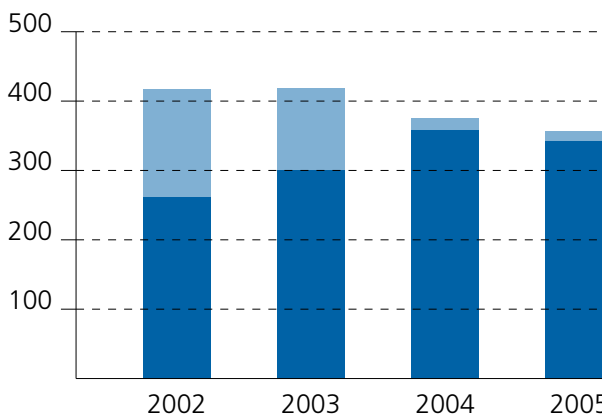


Figure 14
Change in organically managed land area ('000 hectares) in Scotland 2002-05
(■ fully organic land) (■ in-conversion land)



Developments in Scotland

The area of organically managed land in Scotland fell for the second year running by 3.7% from 373,249 ha in April 2004 to 356,764 ha in January 2005. The fall in the amount of organically managed land in Scotland is primarily due to a number of large extensive farms withdrawing from organic certification as they reach the end of their five year Organic Aid Scheme agreements. In January 2005, 12,490 ha were in-conversion, a fall of 24.4% since April 2004 and 344,274 ha were fully organic, a fall of 3.5% since April 2004. The high proportion of land under full organic management illustrates the low level of conversion that has occurred in recent years.

Over 341,200 ha (or 95%) of Scotland’s organically managed land is grassland, 1,490 ha (0.4%) is under horticultural production, 10,388 ha (2.9%) is under arable production and 2,524 ha (0.7%) is woodland.

Limited information about organic supply and demand has often been blamed for difficulties in the marketing of organic produce from Scotland. In order to address this, funding was provided to the Scottish Agricultural College (SAC) by SEERAD and Scottish Food and Drink (through its Graduate into Food Business Programme) to establish a one-year market link project. For the first time a survey of organic producers has provided reliable information on the supply of organic finished beef, lamb and grain from Scotland. The survey indicated that 5,750 finished organic beef cattle would be produced in Scotland between July 2004 and June 2005 and that these cattle were being produced

fairly consistently on a monthly basis throughout the year, although until now little organic beef processing has been done in Scotland. The survey also indicated that approximately 91,000 finished organic lambs would be produced in Scotland between July 2004 and June 2005 – 76% of these being ready for market during the ‘glut’ months between mid-August and mid-January.

Approximately 15,000 tonnes of organic grains and pulses were produced in Scotland for the 2004 harvest, primarily comprising of oats (35%), barley (28%), wheat (24%), peas (6%) and beans (4%).

The level of interest in converting to organic farming in Scotland remained more or less static for most of 2004, although more producers began to express an interest in converting towards the end of the year. This upsurge in enquiries came from producers who were considering extensifying production and converting to organic, following the decoupling of statutory support from production and the introduction of the Single Farm Payment on 1 January 2005. These enquiries were mostly from mixed arable and livestock farms. The majority of enquiries came from existing organic farmers (42% crops and grass enquiries, 31% livestock, 11% business profitability and 16% about conversion).

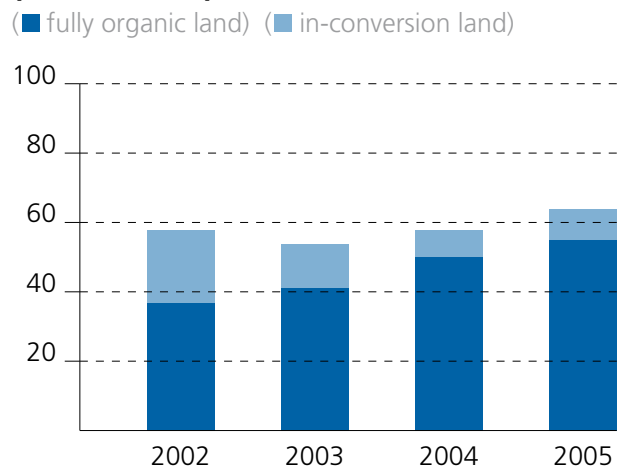
Developments in Wales

Between April 2004 and January 2005, the area of organically managed land in Wales increased by 12.3%, out performing every other nation in the UK. By January 2005, 64,390 ha of land was managed to organic standards in Wales, 8,948 ha

Table 18
Organically managed land (hectares) in Scotland 2005

	<i>Hectares</i>	<i>% of total</i>
Grassland	341,202	95.6
Horticulture (fruit, vegetables, salads, herbs and potatoes)	1,490	0.4
Arable	10,388	2.9
Woodland	2,525	0.7
Fodder, silage and other crops	768	0.2
Unknown	392	0.1
<i>Total</i>	<i>356,765</i>	

Figure 15
Change in organically managed land area ('000 hectares) in Wales 2002–05



(14%) of which was in-conversion and 55,442 ha (84%) was fully organic. Organically managed land now accounts for 4% of the total agricultural land in Wales.³⁵

Within Wales, Powys has 47% of the in-conversion land – however, 38% of the fully organic land is located in West Wales. In January 2005, there were 640 registered organic and in-conversion producers in Wales – 30 more than in the previous year – and 115 organic processors.

Agricultural production in Wales is predominately associated with beef and sheep production. Consequently, in January 2005, 51,064 ha (92%) of fully organic land in Wales was grassland. The area of land under fully organic horticultural production decreased slightly between April 2004 and January 2005 to 479 ha, less than 1% of the total, while the area of fully organic arable land fell by 4.2% to 2,289 ha. The area of fully organic woodland increased by 19% over the same period.

Interest in conversion continued throughout 2004 and the first six months of 2005. The number of both enquiries and advisory visits through the OCIS increased. Enquiries increased from 168 in 2003 to 173 in 2004, while first and second visits increased by 18% and 45% respectively, indicating that those who do enquire are giving conversion more serious consideration than before. On the basis of registrations to date (104 by June 2005) Organic Centre Wales (OCW) estimates that about 200 enquiries will be made in 2005.

Uncertainty continues to surround some aspects of CAP reform in Wales, and delays in the implementation of Tir Cynnal (the equivalent of Environmental Stewardship in England) mean that many Welsh farmers are still unclear about the precise implications of the policy changes. OCW anticipate further interest in organic farming as the situation becomes clearer.

Table 19

Organically managed land (hectares) in Wales 2003–05

	2003	2004	2005	% change to 2005	% of total
Grassland	36,536	44,341	51,064	15.2	92.1
Horticulture	513	487	479	-1.6	0.9
Arable	1,648	2,389	2,289	-4.2	4.1
Woodland	422	621	739	19	1.3
Fodder, silage and other/unknown crops	2,263	1,709	871	-49	1.6
Total	41,382	49,547	55,442	11.9	

Chapter 4

Retail sales and imports

In 2004, the retail market for organic products in the UK was worth an estimated £1.213 billion, demonstrating continued annual sales growth of 11% across the sector. Sales of organic produce through direct and alternative markets, such as box schemes and independent retail shops, increased considerably during the year. Retail sales of organic produce through the multiple retailers continued to grow but at a much slower rate than in previous years.

Changes in methodology

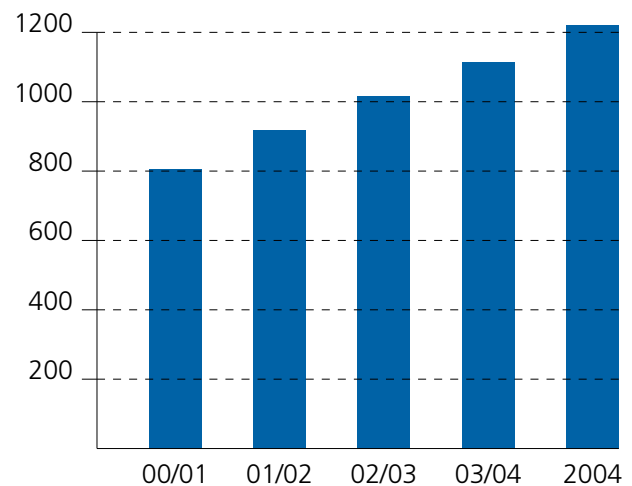
Annual growth has been estimated by adjusting the 2003/04 survey period to the calendar year 2003 (See Appendix 2). Consequently, it is estimated that retail sales of organic products grew by 11% from £1.093 billion in the calendar year 2003 to £1.213 billion in the calendar year 2004. Table 21 (overleaf) illustrates the adjusted retail figures for the calendar years January 2003 to December 2004.

These figures are estimates and have been included in the report to provide readers with an idea of annual growth across the sector whilst reporting periods are changing. However, for the purpose of this chapter all subsequent figures reported are unadjusted and as such contain a three-month data collection overlap. Percentage growth relates to the difference between the two-reported figure's not annual growth.

The organic retail market has continued to develop with direct sales and independent retailers accounting for a growing percentage of the market. Consequently, the data collection process for

Figure 16

Retail sales of organic products (£/million) in the UK 2000–04



the report now takes a more detailed account of independent and direct sales of organic food and drink. This should be taken into account when comparing direct/alternative market and independent retailer sales with previous year's figures (See Appendix 2) as it is feasible that independent retailers in particular may have been under represented in previous reports.

Overview

Between April 2003/04 and the calendar year 2004 organic retail sales increased by 8.4% from £1.118 billion to £1.213 billion.

In 2004 sales of organic products through the multiple retailers were worth an estimated £913.2 million, accounting for 75.3% of the total market. Direct and alternative market sales, such as box schemes and mail order were worth an estimated £144 million or 11.9% of the market. Retail sales of organic products through independent retail shops were worth approximately £156 million or 12.9% of the total market.

4.1 Multiple retailers

The multiple retailers continue to dominate the organic retail market with an estimated £913.2 million worth of organic sales in 2004. However, their share of the organic market continues to decline, falling from 80% for the financial year ending April 2004 to 75% for the calendar year 2004. For the same period, growth in sales of organic products through the multiple retailers slowed to just 1.5%, in direct contrast to organic sales through other outlets, which have increased

more rapidly over the same period.

For some of the UK's leading multiple retailers, 2004 was a difficult year for food sales generally. The Institute of Grocery Distribution's report *Grocery Retailing 2005* reveals that several of the multiples failed to achieve positive like for like sales growth and several retailers are consequently adapting their strategies in the face of slowing sales.

Supermarkets with a 'quality' focus, such as Waitrose and Marks & Spencer, were the only major retailers to see double figure percentage rates of organic growth in 2004. Other multiple retailers underwent continued rationalisation of organic product ranges with some reduction in lines, but sales values have generally been maintained or increased. During the year under review the general trend is increases in sales of fresh organic produce, such as fruit and vegetables, fish, meats and dairy products, and stagnation or decreases in sales of processed organic products, such as ready meals and processed fruit and vegetables.

Imports

This section uses import data collected by the British Retail Consortium on behalf of Defra. The percentage of organic produce sourced from within the UK is compared with the percentage of non-organic own-label produce sourced from within the UK in multiple retailers (2003/04). When drawing conclusions from the data, however, readers should note that fewer supermarkets contributed to the current survey than in 2003, and both sets of data exclude information on Waitrose who account for approximately 20% of all organic supermarket sales.⁴⁰ Consequently,

Table 20

Retail sales of organic products (£/m) in the UK 2000–04

(% = Proportion of total organic retail sales)

	April 2000/01		April 2001/02		April 2002/03		April 2003/04		Jan–Dec 2004		% change to 2005
	%	£/m	%	£/m	%	£/m	%	£/m	%	£/m	
Multiple retail sales	80	641.0	82	755.0	81	821.0	80	899.4	75	913.2	1.5
Direct/alternative sales	9	71.0	8	73.0	9	93.3	10	108.4	12	144.0	32.8
Independent retail sales	11	90.0	10	92.0	10	101.0	10	111.1	13	156.1	40.5
Total		802.0		920.0		1,015.3		1,118.9		1,213.3	8.4

these figures should only be used as a guide to the percentage of organic primary products sourced from the UK by multiple retailers.

The percentage of organic primary produce imported by multiple retailers increased by 1% from 46% in 2003 to 47% in 2004, largely due to an increase in the levels of imported meat, salads and vegetables. However, the level of imported fruit and dairy products decreased over the same period.

The continued high level of imports is partly due to continued consumer demand for high value out of season produce, such as exotic fruit and salads. However, significant volumes of organic food are still being imported when UK producers are able meet demand – for example in the red meat sector.

Dairy

In 2003, 94% all organic dairy products were sourced from the UK, increasing to 99% in 2004, comprising of 100% UK organic butter, cream, eggs, milk, yogurt and 92% UK sourced cheese. This is higher than the comparable non-organic equivalent all categories surveyed. The UK organic milk market has been in over supply for the past few years and the organic dairy market boasts several very successful organic processors. Consequently, UK production can meet demand.

Meat

In 2004, the percentage of UK sourced organic meat sold fell from 72% in 2003 to 69% in 2004. Within this the percentage of bacon and ham, beef and pork declined, whereas the percentage of organic lamb sourced in the UK increased.

In 2003, 53% organic beef was sourced in the UK, falling to 37% in 2004. This compares with 88% UK sourced non-organic beef sold in the same period. Much of the organic beef sold in certain multiple retailers continues to be imported from South America.

The percentage of organic lamb sourced in the UK increased from 76% in 2003 to 89% in 2004 – higher than the non-organic equivalent, which was 82% UK sourced.

In 2003, 41% organic bacon and ham was sourced in the UK, falling slightly to 39% in 2004. This is still higher than the non-organic equivalent, which was just 25% UK sourced in 2004. In comparison, 63% of organic pork was UK sourced in 2003, falling to just 50% in 2004.

The British Retail Consortium (BRC) found that the UK is virtually self-sufficient in organic chicken and turkey, which was 100% UK sourced in 2004.

The multiple retailers continue to import large quantities of organic meat as, generally, they are cheaper and specific cuts can be purchased, removing the problem associated with whole carcass utilisation. In addition, there are issues over consistency of supply for some UK products. For example, the multiple retailers tend to import organic lamb in the first few months of the year, when British lamb supplies are at their seasonal low.

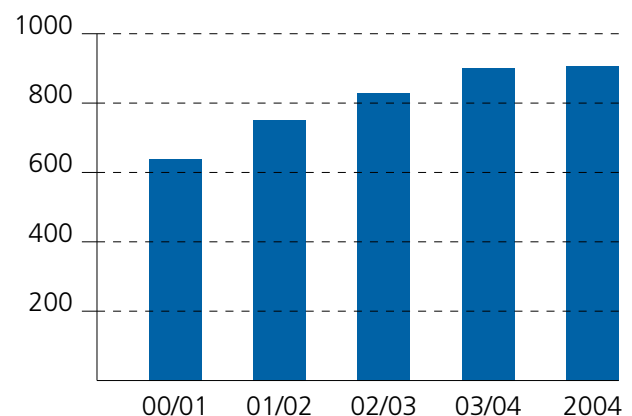
Salads

In 2003, 42.2% of all organic salads sold were sourced in the UK; this fell to 31.5% in 2004, with 40% of leafy salads, 40% of cucumbers, 9% of

Table 21
Adjusted retail sales of organic products in the UK 2003/04

	2003		2004		%
	%	£/m	%	£/m	
Multiple retail sales	81	879.8	75	913.2	3.8
Direct/alternative sales	9	104.6	12	144.0	37.7
Independent retail sales	10	108.6	13	156.1	43.7
Total		1,093.0		1,213.3	11.0

Figure 17
Growth in multiple retailer sales of organic products (£/million) in the UK 2000–04



peppers and 37% of tomatoes sourced from the UK, respectively. This is much lower than for comparable non-organic produce: 44.3% of non-organic salads were sourced in the UK in 2004. The high level of imported organic salads can be largely attributed to consumer demand for high value, out of season produce such as organic peppers.

Vegetables

The BRC found that in 2003, 53.7% of organic vegetables sold through the multiple retailers were sourced from the UK, declining to 52.4% in 2004. Within this figure, it is estimated that 22% of peas and beans were sourced from the UK, while 32% of broccoli, 51% of cabbage, 63% of carrots, 49% of cauliflower, 99% of mushrooms, 45% of onions and 58% of potatoes were sourced from the UK, respectively.

In 2004, members of the HDRA monitored the

source and price of organic vegetables in the multiple retailers. The survey found that imported organic vegetables were not necessarily cheaper than their UK counterparts. It was concluded that the multiple retailers may import produce for specification reasons or continuity of supply, as opposed to price alone.⁴¹

Fruit

The amount of organic fruit sourced from within the UK increased from 10.1% in 2003 to 12.6% in 2004; this compares with 22.75% of non-organic fruit sold. A total of 95.8% of organic apples and pears were imported, while 58% of organic soft fruit (compared with 49% non-organic) and 100% of organic stone fruit (compared with 94% non-organic) was imported.

The reduction in the percentage of imported organic fruit can be attributed in part to changes in

Figure 18
Percentage of organic primary produce sold sourced in the UK 2003/04

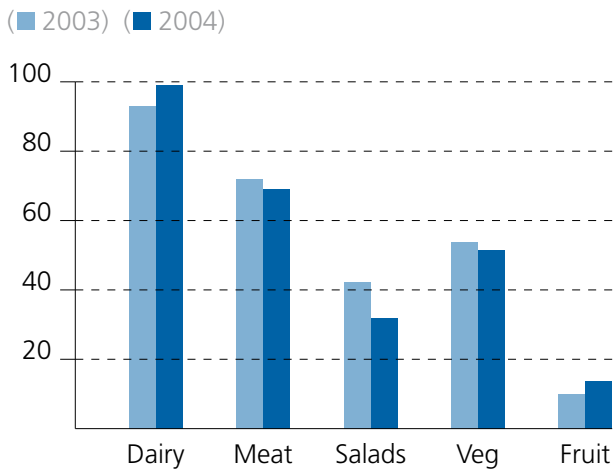
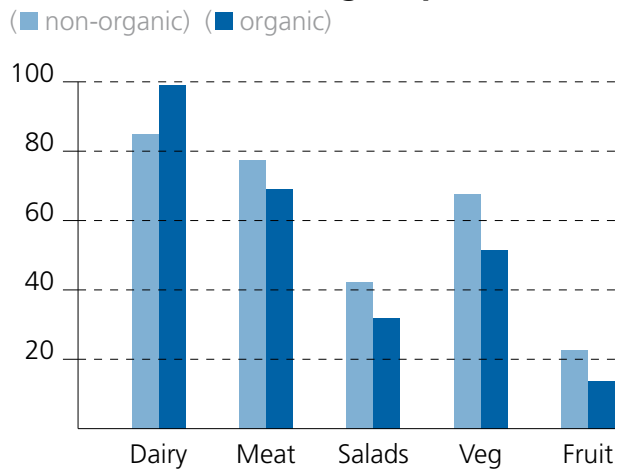


Figure 19
Percentage of UK sourced organic products versus own label non-organic products 2004



the range of organic fruit stocked by the multiple retailers. Whereas most stores once stocked a wide range of organic fruit, exotic organic fruit like mangoes, papayas and passion fruit are now only available in the larger stores. The multiple retailers are now focusing on core products in each category, some of which can be grown in the UK. Consequently, there are potential opportunities for UK organic fruit growers, despite the technical difficulties associated with production.

Future projections

It is anticipated that sales of organic produce through the multiple retailers will see high growth in 2005/06. In August 2005 Sainsburys re-branded its entire organic range under the new name So Organic and added over 100 new lines to its own-label organic range.⁴² Additionally, in September 2005 Sainsburys, Waitrose and Tesco all undertook promotional activity around Organic Week.

Following the Sainsburys relaunch it is expected that 2005 will see other major retailers following suit in order to maintain their share of the organic market. This suggests there will be an increase in multiple retail sales growth to report next year.

Despite progress in import-substitution in some sectors, such as organic soft fruit, it is clear that the UK is still a long way from meeting the key target set in the UK's Organic Action Plans. Based on current trends it is unlikely that 70% of sales of indigenous organic produce will be sourced from the UK by 2010.

4.2 Direct and alternative markets

Retail sales of organic produce through direct sales and alternative market outlets, including box schemes, mail order, farm shops and farmers'

Table 22

Percentage of organic and non-organic produce sourced in the UK sold by multiple retailers 2003/04

(O = organic) (No = non-organic)

	2003		2004			2003		2004	
	O	No	O	No		O	No	O	No
Dairy					Vegetables				
Butter	94	72	100	52	Beans and peas	23.1	35	22	30
Cheese	88	85	92	81	Broccoli	39	38	32	54
Cream	78	100	100	98	Cabbage	67.5	80	51	81
Eggs	100	100	100	100	Carrots	66.4	92	63	97
Milk	100	100	100	100	Cauliflower	52.8	93	49	84
Yogurt	100	90	100	73	Mushrooms	98	65	99	42
<i>Average</i>	93.4	91.2	98.7	84.0	Onions	34.6	70	45	65
					Potatoes	48.2	93	58	91
Meat					<i>Average</i>	53.7	70.8	52.4	68.0
Bacon and ham	40.6	35	39	25	Fruit				
Beef	52.9	95	37	88	Apples	3.2	20	4.2	19
Lamb	75.7	85	89	82	Pears	6	17	4.2	15
Pork	63.2	95	50	95	Soft fruit	31.2	25	42	51
Chicken	100	93	100	99	Stone fruit	0	12	0	6
Turkey	100	90	100	70	<i>Average</i>	10.1	18.5	12.6	22.75
<i>Average</i>	72.1	82.2	69.2	76.5					
Salads									
Leafy salads	60.5	60	40	44					
Cucumbers	49.2	70	40	60					
Peppers	8.2	30	9	41					
Tomatoes	50.9	45	37	32					
<i>Average</i>	42.2	51.3	31.5	44.3					

markets, were worth an estimated £144 million in 2004, growing by 33.3% on the previous financial year. Of this, approximately 78% – or £113 million – was achieved through direct sales outlets (sales made from the producer directly to the consumer) and 22% (or £31 million) was achieved through box schemes and mail order outlets operated by independent retailers.

Organic vegetables

This section presents information gathered by HDRA as part of the Organic Vegetable Market Study (Defra project OF-0432). The research quantifies the size and value of the organic vegetable direct sales market. Direct sales were defined as those that pass directly from farmer to consumer, so only included produce that was produced and sold from the same farm. In order to account for all types of sourcing and to give a clearer picture of the market, trade including that with other UK farms – or for example, for buying in extra vegetables out of season – was calculated separately, as was the value of organic vegetables sold through farm-based outlets,

In 2004, box schemes accounted for 75% of the organic vegetable direct market, farm shops 14%, markets 10% and other local sales, such as farm gate, 14%.

The value share of the market from each crop category is fairly even when compared to the total organic vegetable market where salads and protected cropping account for almost 40% and potatoes only 16% of the market.

In 2004 the total sales value of organic vegetables

sold through farm based outlets (including sourcing from other farms, wholesalers and imports) had a sales value estimated at £30.4 million. However, when imports and wholesale produce is excluded the market value decreased to £22.5 million. Direct sales of organic vegetables, as defined above, had a value of approximately £12 million.

Based on forecasted changes in turnover from the questionnaire sample, it is estimated that the value of organic vegetable direct sales will increase by 30% to £15.7 million in 2005. Sales of organic vegetables through box schemes would then have a total value of £12.3 million, increasing their market share to 78%.

Box schemes were the most common marketing channel, with farm shops and farmers' markets being less popular. The average turnover of those operating their own box schemes for organic vegetables was around £64,000 but when the few large schemes are excluded the average turnover falls to about £20,000. Average turnover from organic vegetables for farm shops was one fifth of that of box schemes (£13,400) and organic vegetables at markets had an average value of around £10,000. Approximately 70% of the producers surveyed used multiple marketing channels.

The biggest threat to direct sales was seen to be supermarkets (according to 40% of respondents), although centralised box schemes were the second most common threat (15% of respondents). Poor quality produce was seen as a threat by 10% of respondents.

Table 23

Summary of organic vegetable direct sales by outlet 2003–05

	2003 £	2004 £	% change	2005 [†] £m	% change
Box scheme	6,780,000	9,021,000	33	12,285,000	36
Farm shop	1,398,000	1,692,000	21	1,941,000	15
Markets	995,000	1,215,000	22	1,374,000	13
Other local sales	116,000	120,000	3	123,000	3
<i>Total</i>	9,289,000	12,048,000	30	15,723,000	31

[†]Predicted value

Box schemes and mail order

Sales of organic products through box schemes were an estimated £38.5 million in 2004, 85% of which were made by producer-owned box schemes and 15% by independent retailers selling produce through non-producer owned box schemes.

In 2004, there were an estimated 379 vegetable-based box schemes in the UK with a retail sales value of £36.3 million. However, box schemes continue to sell an ever-wider range of produce, from fruit and vegetables to dairy produce, eggs, and beverages – even household cleaning products. There are also an estimated 97 organic meat boxes in the UK with a total retail sales value of £2.3 million. Meat box schemes tend to sell fewer boxes a week than vegetables-based schemes, but with a higher average box price.

There were 437 organic mail order schemes in the UK in 2004 with a retail sales value of £39.5 million. Approximately £14 million (or 35.4%) of turnover was from direct mail order schemes (from the producer to the consumer) and £25.5 million (or 64.6%) of turnover was from manufacturer/retailer owned schemes. Produce sold includes primary produce, such as meat and poultry, but also non-food items such as organic paint, seed kits, plants and increasingly specialised products that are not commonly stocked in conventional retail outlets, such as organic health and beauty products or even textiles.

The increase in the range of products sold through box schemes and mail order services, and the increase in the number of retailer-owned box schemes, indicates that box schemes are becoming

more mainstream and are beginning to offer a complete ‘home shopping’ service to the organic consumer. Independent retailers are increasingly taking advantage of the marketing opportunities offered by box schemes. This is seen as a positive development as it is likely that this trend will enable more producers to access alternative markets, broadening the organic sector and increasing the overall penetration of organic products across the UK.

Box scheme imports

A representative sample of farm based box scheme operators was used to illustrate the relationship between the number of boxes sold each week and the source of produce sold (see figure 21 overleaf).

Small box schemes, selling fewer than 50 boxes a week, produced an average of 75% of the produce sold on their own farm. An average of 11% was brought in from other local and UK farms, and a relatively high proportion (13%) was brought in from wholesalers.

As the average number of boxes sold each week increased, the relative amount of produce sold through the box scheme produced on farm decreased. It is hard for the producer to grow enough produce to cover the increased demand, so the producer has to buy in the difference from other UK farms and increasingly from wholesalers.

The very large box schemes – those selling more than 500 boxes a week – tend to grow a higher proportion of the produce sold through the box scheme on farm. The increased revenue received enables increased investment into the business.

Figure 20
Estimated sales (£m) made through direct and alternative market outlets 2003/04

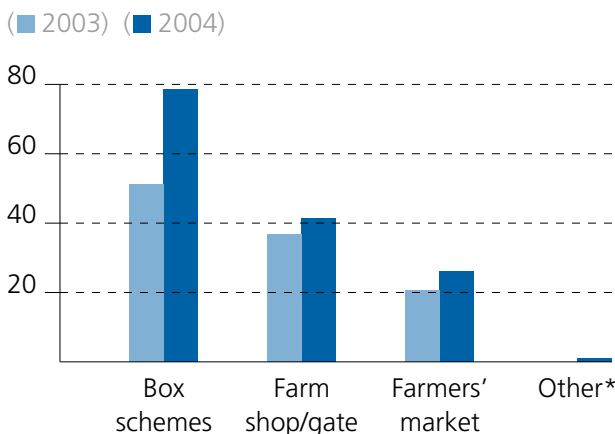


Table 24
Direct sales and alternative market outlets 2003/04

	2003/04 £m	2004 £m	% change
Box scheme/mail order	51.5	78.1	51.7
Farm shop/gate	36.3	40.5	11.6
Farmers' market	20.6	25.0	21.4
Other*	–	0.4	–
<i>Total</i>	108	144	33.3

*Sales at shows, events, local markets, and so on

Consequently, large box schemes are able to bring more land into production and supply an increased proportion of organic vegetables from their own farm. In addition, many of these schemes operate as cooperatives with other farms in the region, which enables the scheme to source more produce locally and thereby provide a market outlet for other growers. Very large box schemes still buy in a large proportion of their produce, predominantly fruit. However, they have the economies of scale that facilitates the importation of produce directly, rather than buying through wholesalers.

Farm shop/gate sales

It is estimated that sales of organic produce through farm shops or at the farm gate were worth £40.5 million in 2004, a growth of 11.6% on the previous year. There are an estimated 425 farm shops/gate sales selling organic produce in the UK. A sample of 129 outlets was analysed and it was discovered that outlets ranged from very small farm gate sales to large shops marketing a range of produce. Turnover ranged from £100 to £3 million a year, with an average sales value of £96,483 in 2004.

Farmers' markets

The National Farmers' Retailer and Markets Association (FARMA) estimate that farmers' markets turned over £200 million in 2004. A YouGov survey found that 12% (2.5 million) of households regularly shop at farmers' markets, and 30% of all households had visited or bought from a farmers' market in the last 12 months.⁴³ It is estimated that 10–15% of stallholders at farmers' markets retail organic produce, with a retail value of £25 million, representing a 21% growth on the previous year.

Community Supported Agriculture (CSA)

Community Supported Agriculture, a partnership between farmers and consumers where the responsibilities and rewards of farming are shared is now widely recognised within the local food sector. It is estimated that there are at least 40 CSA schemes in the UK.

Based on a survey of 11 established CSAs (March 2003) the typical income of a vegetable CSA is around £17,000 a year. Larger meat based CSAs tend to operate with a much larger turnover of around £300,000 a year, due to their need to support several meat enterprises and a specialist butcher shop. Meanwhile, fruit CSAs tend to be much smaller, with a turnover typically of £3,000 a year, as their membership is often only one of several outlets. However in 2004, for the first time, two community owned farms had a combined turnover in excess of £1 million.

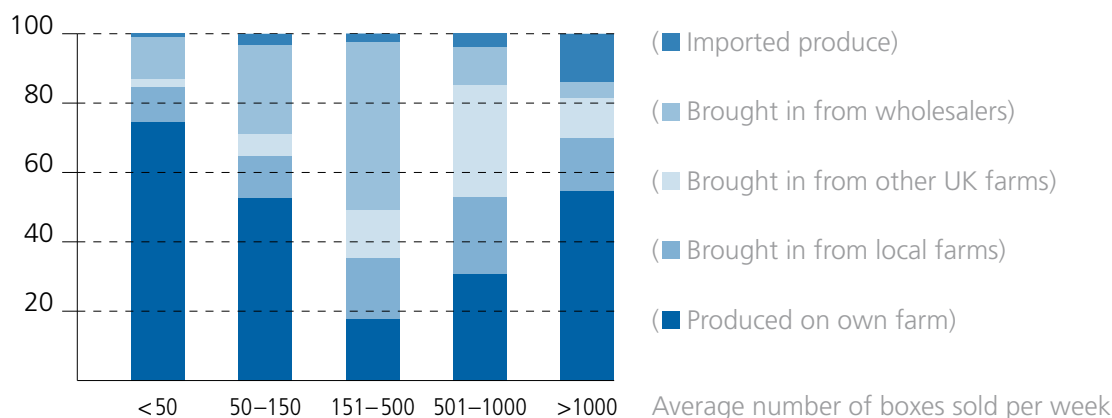
Future projections

The direct sales and 'alternative' markets for organic produce continue to grow, with box schemes reporting particularly high growth at the end of 2004 and in early 2005. HDRA estimate that sales of organic vegetables through direct markets will increase by 30% in 2005, with box schemes reporting the highest growth.

The continued growth in organic sales through direct/'alternative' outlets can be attributed in part to increased media interest in the concept of 'local' food, increased accessibility to alternative outlets and an increase in the range of produce sold. As a consequence alternative market outlets are increasingly perceived by some consumers as offering a real alternative to supermarket shopping.

Figure 21

Source of produce (%) sold in producer-owned box schemes 2004



4.3 Independent retailers

It is estimated that sales of organic products through independent retail shops were worth £156.1 million in 2004, accounting for 12.9% of the total market. In addition, independent retailers are increasingly diversifying their market outlets and are choosing to operate box and mail order schemes from their premises. Dedicated organic retail shops can offer the consumer a broader range of organic produce than many supermarkets and, as a result, the independent retail share of the organic market continues to grow.

Future projections

The range of small retailers selling a limited number of organic lines continues to grow, as do the number of 'organic supermarkets' and large independent retailers with a dedicated organic focus. Whole Foods Market Inc, which acquired Fresh & Wild in January 2004, plan to open a flagship store on Kensington High Street in London in early 2007.⁴⁴ The shop will encompass about 75,000 square feet and will be the largest of its kind in the UK. Consequently, the organic market for independent retailers looks set to continue to increase over the next few years.

4.4 The export market

For several years, global exports of organic products from the UK have increased. However, the export market remains problematic – despite being an area highlighted in Defra's Organic Action Plan.⁴⁵ While many trading blocks have implemented legally enforceable regulations, they have not been as quick to put in place mechanisms that will enable overseas products to gain market access.

The two of the biggest problems that organic businesses have faced are the implementation of the NOP (National Organic Programme) rule in the United States and the JAS (Japanese Agricultural Standards) standard in Japan. Neither regulation has scope for the acceptance of equivalent systems and ingredients, and both insist that certifiers are directly registered and approved. This system creates a lot of additional work and cost for any prospective market entrants.

Future projections

Current projections for the global organic market indicate a 20–30% annual growth rate.⁴⁶ Consequently, there are increased opportunities available to companies focused on international trade. It is important that these companies make their intentions clear to their organic certification bodies so that services aimed at market access can be developed and prioritised. The EU accession countries and an increased number of market outlets are fuelling a new growth phase. However, more than in any other market sector, this is tempered by consumer awareness of high food mile products and the increasing trend to think local.

Chapter 5

Catering and public procurement

5.1 Catering

The market for organic catering developed well during 2004 with three bodies offering certification; Organic Food Federation (OFF), Organic Farmers and Growers (OF&G), and Soil Association Certification Limited (SA Certification). In total there were 34 certified organic caterers at the end of 2004. Of the enterprises being certified by SA Certification, 85% were wholly organic operations and 15% were mixed. The enterprises included sit-down restaurants, bed and breakfasts, pubs, festival caterers, nurseries, contract caterers, a pizza chain and outside caterers. Around 40% of the certified caterers were located in London.

Catering is outside the jurisdiction of the regulation (2002/91) because the regulation's legal basis is within agriculture. Consequently, there is no legal requirement for restaurants and other food service operations to be certified. However, to ensure consumer confidence and protect the integrity of organic food any claims relating to organic food still need to be supported. SA Certification therefore now offer two voluntary options for the public and private catering sector: full organic certification and registration to the Soil Association food service, and the catering code of practice for those whom organic certification is not a viable option.

Future projections

SA Certification have seen an increase in catering applications in the first six months of 2005, with 36 applications to date and an increase in the number of companies who are applying for mixed operations. Despite the fact that organic catering standards are now voluntary, the number of certified organic caterers and subscribers to the Code of Practice is set increase. It is hoped that this trend will continue.

5.2 Public procurement

Schools

The Soil Association's *Food for Life* report was launched in October 2003 and highlighted the considerable deficiencies in school meal provision across England. Since then, with additional impetus provided by Jamie Oliver, a huge interest in sourcing local and organic food for the services has been generated. As well as lobbying Government to make policy changes and provide the necessary financial resource, the Soil Association has helped schools and local authorities across England to change their school meal provision service to begin to meet the

Food for Life targets. Highlights of which are:

- School lunches should aim to provide food that meets the nutrition targets set by the Caroline Walker Trust
- At least 75% of all foods consumed (over a week) should be made from unprocessed ingredients
- At least 50% of meal ingredients should be sourced from the local region
- At least 30% of food served should be from certified organic sources
- Better classroom education on food and sustainable food production, ensuring that all children visit a farm at least once during their time at school.

Assistance has taken many forms, from telephone advice for schools, parents and head teachers, to working with the contracted suppliers and local growers to source more local and local organic produce.

Jeanette Orrey, the Soil Association's School meals Policy Advisor, has worked directly with a number of schools to help them change their meals. As a result, a group of mothers from Letherbridge School in Swindon started their own catering company and now provide meals consisting of approximately 80% local organic ingredients.

The Soil Association has also worked directly with councils and local authorities, helping Food for Life pilot schools in Shropshire, Worcestershire and Bradford. The largest project is with Bristol, and Bath and Northeast Somerset councils. A partnership approach to changing the school meals has been adopted and involves working with various council departments, the Primary Care Trust and the contracted suppliers. In Bristol, 20 schools across the city have been selected for the pilot which ran until July 2005. Bath and Northeast Somerset's pilot began in February 2005 with nine schools, and this will run until February 2006.

The changes to school meal provision are slow. There are many barriers to overcome and the supply network needs to develop in conjunction with education and menu changes. There is considerable interest in sourcing local organic food and a revival in using fresh ingredients to make meals from scratch, driven particularly by parents. However, money for school meals is limited and contracts tend to be set for several years and are difficult to bid for by small businesses. Dialogue between the procurement managers, existing suppliers and producers and growers is required

to move things forward, as well as cooperation to overcome issues of volume, price and consistency of supply.

Hospitals

The National Health Service (NHS) purchases over 300 million meals a year across the UK. Contractors have around £2.75 to supply three three-course meals and eight beverages a day per hospital patient, of which approximately 35% is spent on ingredients. Many hospitals also have separate staff/visitor canteens that operate like private cafes. The NHS is a major employer with 1.3 million staff and is a major food purchaser, which means that switching to sustainable sourcing would have a significant effect on the environment and economy.

The amount of organic food served in hospitals is a negligible proportion of the total. Less than five are focused on serving organic food to patients, notably Darlington Royal Hospital, Cornish Hospitals, and the Royal Brompton in London, and volumes are very small. However, there is interest in their work and a national group of hospitals has formed, with the objective of increasing their usage of organic and local food.

The drivers pressing hospitals to consider organic food include media interest and national Government policy, especially the 'Public Sector Food Procurement Initiative'. The activity of motivated individuals supported by public interest in sustainable food will help and there is practical assistance from Regional Development Agencies, the Soil Association, Sustain and others.

However, considerable barriers to progress remain: food budgets are low, the supply network is highly centralised and NHS food policy is geared towards national consistency, which favours large operators. In addition, over 50% of hospitals do not have kitchens and are dependent on ready meals, which tend to be provided by large, centralised, high volume food processors. Many of the businesses within the supply network, such as wholesalers, are large and do not carry organic products for other customers.

Hospital procurement departments have insufficient resources to manage contracts for individual organic items and tend to let contracts for their entire meal service. The procurement departments have limited time for dealing with change or for specialist sourcing. Food culture and understanding of organic systems is poor, even though as individuals many employees provide

organic food for their families. Menus are not usually seasonal and are set a long time in advance, requiring year round consistent supply. Buyers prefer known reliable suppliers. Hospitals are concerned about food safety and require STS certification from suppliers, which is prohibitively expensive for most small businesses. The legal requirement for fairness in the procurement process makes tendering bureaucratic and slow and contracts typically last three to five years. This creates further obstacles for companies wishing to provide hospitals with local organic produce.

Future projections

Although the school meals market does represent an opportunity for organic farmers it is still at an embryonic stage. Due to budgetary constraints, some of the school meal providers are introducing local food with the possibility of including organic produce in the future. While the use of organic food in hospitals is expected to increase over time, without the sort of media interest that has been generated around school meals, progress is likely to be slow. However, it is probable that the procurement of local organic produce will increase gradually as more institutions and public sector

bodies look to improve the sustainability and quality of the meals they provide.

Chapter 6

Processed food and drink

The number of organic processors in the UK has increased steadily over the last three years. In December 2004 there were 2,028 organic processors in the UK, a 4.5% increase on the previous year. Most processors are based in England (84%), predominantly in the Southeast, while 9% are based in Scotland and 6% are based in Wales. In January 2005, there were 41 organic processors in Northern Ireland, representing a 24.2% increase on the previous year.

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

Soil Association processor liaison group (PLG)

This PLG's main focus is to help develop the organic food industry through:

- Identifying, and trying to resolve, the technical and market glitches that tend to stifle the growth of the organic food industry
- Participating in the Soil Association standards

Table 25

Number of organic processors and/or importers 2003–05

	2003	2004	2005	% change
England				
Northeast	34	30	26	-13.3
Northwest	122	124	125	0.8
Yorkshire & Humberside	118	122	134	9.8
East Midlands	175	189	189	0
West Midlands	138	135	132	-2.2
Eastern	224	233	241	3.4
Southwest	333	347	370	6.6
Southeast (inc London)	393	450	478	6.2
	1,537	1,630	1,695	4
Wales	103	109	115	5.5
Scotland	152	169	177	4.7
Northern Ireland	33	33	41	24.2
<i>Total</i>	1,825	1,941	2,028	4.5

Note: Processors and/or importers includes abattoirs, bakers, storers and wholesalers. The recorded location depends on the address registered with the certification bodies and so larger business may be recorded at their headquarters.

setting process by being involved on their practical implementation and at consultation level

- Supporting new growth areas such as the leisure and catering sector – both private and public, by assessing the needs of this market and how to access them
- Liaising with, advising and supporting research organisations responsible for proposing, conducting and reporting research on behalf of the industry to help improve the quality and availability of organic foods and ingredients
- Communicating with the organic food industry, through each group member speaking directly to their food sector, as licensed by SA Certification, via email and through direct liaison with other food industry trade bodies. This is to gain as much information as possible on what is needed to increase the development of the organic food industry and to act on this where possible.

Some of the following food sector developments mentioned in this chapter have been provided by members of the PLG.

6.1 Baby foods

In 2004, the retail value of the UK baby food market (organic and non-organic) was worth an estimated £148 million. Organic baby food sales accounted for 43% of the total market, at a value of £63 million. Despite a static birth rate, the UK market for organic baby foods grew by 6% between 2003 and 2004, compared to 1.5% for non-organic baby foods over the same period.

Three manufacturers – Organix, Hipp and Heinz – account for 75% of the market, dominating organic

baby food sales in the UK. However, in response to the perceived lack of fresh additive-free baby foods, an increasing number of smaller producers are entering the independent retail sector with new products, such as trays of frozen pureed vegetables.⁴⁷

Organic finger foods, including rusks, and snacks for small children have seen the largest growth in sales, growing by 52% to a total value of £7 million in 2004. However, organic baby meals account for more than half of the total baby meals market with a sales value of £51 million in 2004, compared to £49 million for non-organic baby meals.

2004/05 saw increased media interest on nutrition and food education, particularly amongst children, with a subsequent increase in the quantity of information provided by retailers and food manufacturers, and improved food quality and labelling information from the industry. Consequently, it is anticipated that the market for organic baby food will continue to grow over the next few years. Demand for organic children's meals is also expected to develop rapidly, creating new opportunities within the sector.

6.2 Beverages

Alcoholic drinks

The organic wine and spirits sector continues to develop, with the entrance of new operators and the launch of new products. Several multiple retailers now stock a range of wines from organically grown grapes. However, the EU regulation (2002/91) governing organic agriculture specifically excludes wine production.

Table 26

Value (£m) of the baby food sector 2004

(O = organic) (No = non-organic)

	O	No	% growth from 2003	
			O	No
Baby meals	51	49	3	0
Cereals	5	23	-7	1
Finger foods	7	13	52	8
<i>Total</i>	63	85	6	1.5

This can cause confusion amongst consumers who expect organic wine to have been processed organically, as well as that the grapes are grown organically.

The market for high quality organic fruit wines and ciders continues to grow steadily but the organic beer market was less buoyant than in 2003, and some major retailers sold less organic beer in 2004. As the range of organic speciality malts is still fairly limited it is not easy for brewers to achieve variety, especially since the recent closure of a maltings in north England which supplied a significant proportion of the UK's organic malts. While the remaining maltsters are attempting to meet demand, some speciality malts are being imported from Europe. A few small brewers continue to licence and develop organic beers, including a range of draught beers.

The quantity and range of UK-grown organic hops varieties is still quite limited, many brewers have to rely on imported organic hops, primarily from the EU and New Zealand. In some cases, brewers have had to apply for a derogation to use non-organic hops, as they cannot obtain organically grown supplies of the right varieties.

Nevertheless, some UK brewers are successfully exporting organic beer, particularly to the US. The introduction of the US National Organic Programme (NOP) caused administrative problems for UK brewers and their suppliers but many have now achieved the necessary NOP certification and the trade is growing.

Hot beverages

Continued economic prosperity, and rising

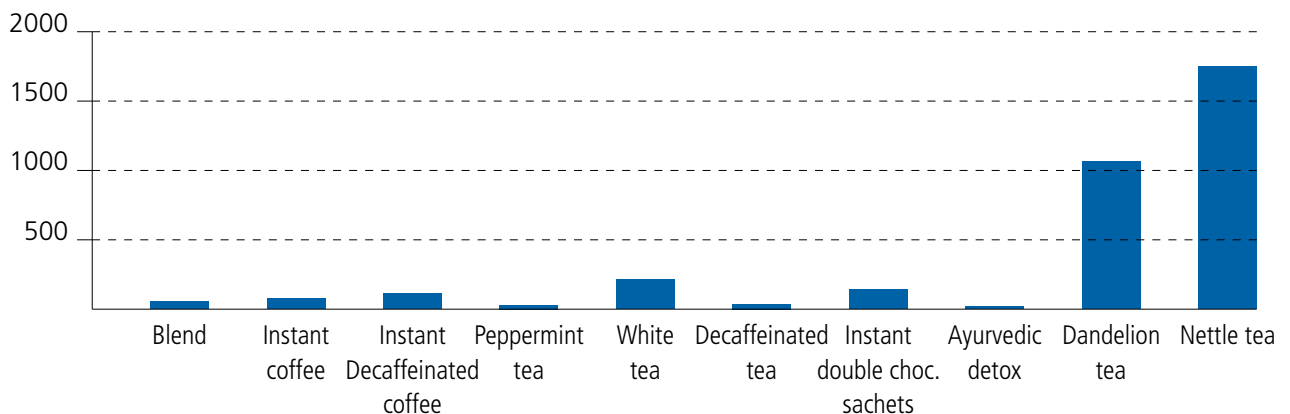
disposable income levels, mean that consumers are prepared to spend more on premium products, including premium tea varieties such as organic or fair trade tea. As a result, organic tea and coffee products account for an estimated 15% of the total UK tea and coffee market.

The tea market as a whole has continued to suffer from competition with other beverages, such as soft drinks, iced tea, and bottled and flavoured waters – especially among the young. To combat this trend many tea manufacturers are offering price promotions, as well as pursuing active new product development strategies. An increasing number of exotic tea blends are now available, with fruity flavours and ‘well-being’ herbal teas, as well as organic variants.

With such a wide range of teas available to the consumer, black tea is facing increasing competition. However, within the black tea sector, organic and fair-trade teas – both of which carry a higher price tag – are gaining in popularity as consumer awareness continues to grow.

New products such as fruit and herbal teas have demonstrated the second fastest growth rate after speciality teas such as Earl Grey and Darjeeling, increasing in value by 30% since 2002 to reach sales of approximately £6.4 million – or one tenth of the total tea market (almost £64 million) in 2004. Sales of Clippers herbal teas, such as dandelion and nettle, show the fastest growth in 2004. According to TGI data, penetration of the adult population has remained static at 18% since 2002 but light users have increased their overall consumption. Herbal and fruit tea users tend to be younger than standard tea users, predominantly aged 25–44.

Figure 22
Percentage sales increase of Clipper organic beverages 2003–04



which is encouraging for the long-term future of the sector. There is also a trend towards organic infusion teas. Mintel value this sector at approximately £3 million – almost 5% of the herbal and infusion tea sector – with an annual growth rate of 20%. For example, in the latter part of 2004, Twinings launched Honeybush and Lemon, and Ginger and Mandarin to its infusion range, with Honeybush predicted by some to be the next big health trend.

6.3 Chocolate

The market for organic chocolate continues to grow and a huge range of products is now available; from classic plain, milk and white to exotic flavours like lime, chilli, and peppermint. According to AC Nielsen,⁴⁸ Green & Black's were the largest and fastest growing organic chocolate company in 2004. However, a number of smaller companies have broken into the market retailing a range of high quality, often hand-made speciality organic chocolates.

6.4 Dairy products

During 2004 the total UK yogurt market grew by 6.5% to a value of £750 million. Within this sector, Yeo Valley Organic experienced a growth rate of 22% – faster than any other brand. Yeo Valley and Rachel's Organic now account for a 7.4% share of the total market, with Yeo Valley taking 6% of all

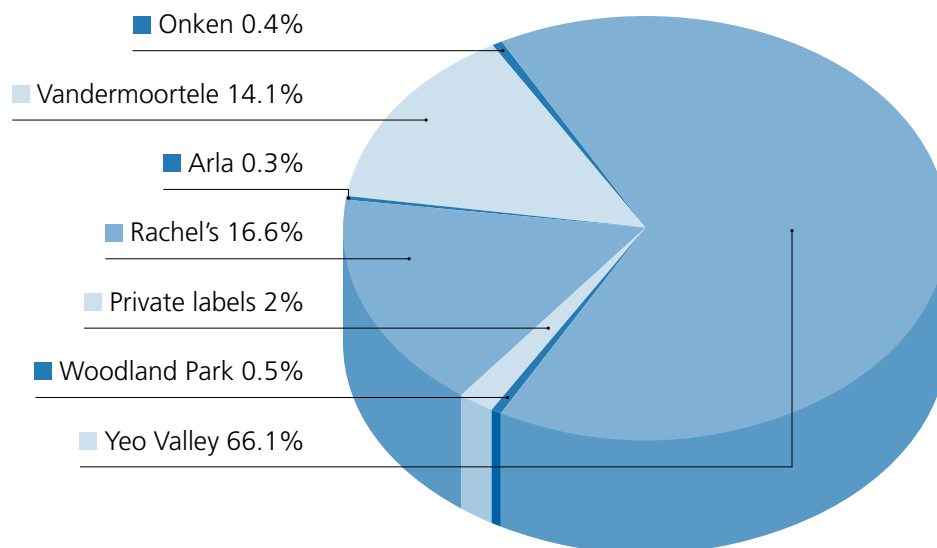
yogurt sales in UK. The Yeo Valley brand is also the market leader in the natural sector, with a 16.2% share, outselling all non-organic and organic brands. In the £1.7 billion cheese market, organic cheese sales grew by 6.2% – 25% faster than the total cheese market.

Yeo Valley has a 66.1% share of the organic dairy market, Rachel's has a 16.6% share and Vandemoortle (which retails under the names Alpro and Provamel) has a 14.1% share. While many sectors of the organic food market are unbranded, or support a high number of small localised brands, the dairy market is an exception. Genuine organic producers that have been around for some time are the most successful and unusually, own-label organic entrants have not seen the same levels of success. The exception to this trend is the liquid milk market where several multiple retailers had the foresight to add organic milk to their own brand ranges at an early stage of the market's development, helping to sustain the growth seen in the sector.

6.5 Fats and oils

The majority of fats and oils used in the UK market are sold as ingredients for multi-ingredient food products, such as salad dressings, condiments, sauces and snacks. However, 2004 saw considerable interest in the retail bottled oil and speciality functional oils market, particularly those high in omega-3 fatty acids. Fats and oils are a good

Figure 23
Organic dairy market share 2004/05



barometer of the sales in the UK market of processed organic products, in which they are used. Sales of organic oils increased by 10% in 2004, with a market value of approximately £3 million.

Sunflower oil dominates the liquid oil sector, with soya and rapeseed oils of lesser importance. Prices rose at the end of 2004 by about 10% on all organic liquid oils, before stabilising. Demand for the animal feed bi-products of oil production are high and, in some instances, it can seem that this demand is pushing oil production. If this becomes the norm then oil prices will need to come down to stimulate more demand. It is difficult for producers to keep their oil and feed products in balance, as the markets are quite small.

Palm fat is the predominant hard fat used in bakery goods. Most of the palm fat is produced in South America and then brought to the EU for refining and blending for shortening and margarine. As the market for processed organic products is developing, organic manufacturers are demanding more blended organic fats to give specific properties to the finished products in which they are used.

Chapter 7

Non-food products

7.1 Textiles

A diverse range of organic textile products are now produced in the UK, including cotton wool, rugs, knitting yarns and the first certified organic mattress. Materials used include leather, wool and cotton.

The majority of companies involved in organic textiles are small and medium-sized enterprises. However, larger organisations are now developing organic ranges. The largest market for organic textiles is Europe, particularly Germany and Switzerland, although the UK market is experiencing rapid growth. The USA and Japan also represent sizeable markets. Over two thirds of organic textiles are cotton, and sales in the UK now exceed £20 million. Most of the organic cotton sold in the UK is produced in Turkey and the USA although India and parts of Africa are developing production. Organic fibres may be blended in as part of a product or used as completely organic. Entry points to the market are usually through baby clothes and women's fashion, including yoga wear and t-shirts. Young consumers are increasingly purchasing organic textiles. However, the 35–49 age brackets purchase the most organic textiles.

Certification bodies and textile standards organisations across the world are currently developing Global Organic Textile Standards (GOTS), which will unify existing standards, making it more straightforward to certify organic textiles to a globally recognised and accepted standard. This will particularly benefit those who want to certify organic cotton products processed overseas.

Future organic textile developments include the introduction of organic denim and increased use of cotton products. Demand for organic textiles, towels and robes at spas and beauty salons is also expected to increase over the next few years.

7.2 Health and beauty

The US has the largest market for organic beauty products in the world, closely followed by the UK. The US market for natural and organic skincare, haircare and cosmetic products is expected to grow from \$3.8 billion in 2003 to \$5.8 billion by 2008 – an annual growth rate of at least 9%.

The number of natural and organic skincare, haircare and cosmetic companies considering organic certification has increased over the last

year. In 2004, 20 companies were certified to the Soil Association's health and beauty standards, and an additional nine applications were received from businesses in the sector. These included the first organic certified spa (Mimi Holistica in Bath) as well as skincare ranges and aromatherapy companies. Applications were also received from contract manufacturers as larger brands respond to the growing customer demand for certified organic products. However, the majority of the health and beauty companies certified are relatively small and often family owned, having been set up to develop products to meet their own needs and for friends and families. For example, Margaret Weeds of Essential Care developed a range of skincare products based on plant oils and natural active ingredients that are suitable for sensitive skin because her family suffers from sensitive and eczema-prone skin. The Green People Company was also formed because the founder struggled to find an effective treatment for her daughter, who suffered from eczema and allergies.

Organic beauty products started to enter the mainstream market in 2004, largely because of the effectiveness of the products, increased interest in organic lifestyles, media exposure and scare stories relating to health risks associated with non-organic beauty products, such as the link between parabens (a widely-used family of preservatives) in beauty products and breast cancer. Organic brands, such as Spiezia, are now stocked in Harvey Nichols and the Organica Botanica range is sold through Selfridges.

2004 also saw the development of a number of new organic products – for example, Essential Care introduced the first shampoo certified to the full organic Soil Association standards. However, the industry needs further development on organic surfactants, and supplies of organic glycerin are also limited in the UK.

As larger players begin to move into the market for organic beauty products, tempted by growing consumer interest and huge market potential, it remains to be seen if the small ground-breaking companies that helped to develop the market will maintain their market share

Chapter 8

The organic consumer

According to data provided by Taylor Nelson Sofres (TNS) the proportion of households buying organic food and drink increased by around 1% in 2004. In 2003, 76.5% of households bought some organic products; this increased to 77.4% last year. The frequency of purchase among organic shoppers remained static, averaging 14 shopping trips per year, compared to 13.9 in 2003. However, the weight of purchase increased by 8%, with average annual spend per organic consumer increasing from £35.07 to £37.87.

Three research studies commissioned by the Soil Association in 2005 provide an insight into consumer trends and the motivations of those buying organic food and drink.

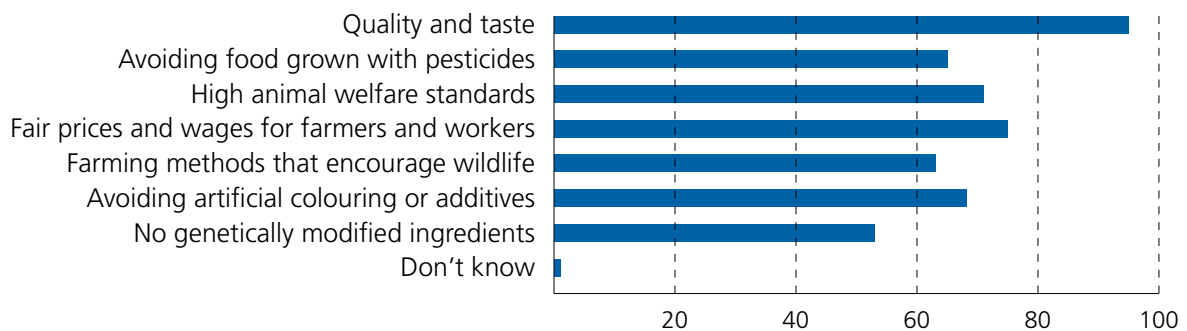
Taste and quality

In February 2005, a telephone omnibus survey conducted by BRMB suggested that the proportion of shoppers consciously buying organic food is growing, and that the quality and taste of food are important to more people than low prices.

When a representative sample of 1,010 people was asked what was important to them when buying food for a meal to serve to family or friends, 95% said 'the taste and quality of the food'. Only 57% said low prices were important (see figure 24, below). These results were consistent across all social classes. Even among the least well off, quality and taste were considered important by 94% and low prices by only 65%.

Overall, more than two thirds of those questioned rated avoiding artificial colouring or additives as important. Fair prices and wages for farmers and their farm workers (75%), high animal welfare

Figure 24
Which of these are important to you when you buy food for a meal to serve to family or friends? (% response)



standards (71%), avoiding food grown with pesticides (65%), and supporting farming methods that encourage wildlife (63%), were also rated as important by more people than low prices.

The BRMB survey, commissioned on behalf of the Soil Association by Cultural Dynamics Strategy and Marketing Ltd and Campaign Strategy Ltd, also suggests that increasing numbers of people are buying organic food as a conscious choice rather than ‘accidentally’. According to data from the TNS Superpanel, which tracks the spending of a representative sample of 15,000 households using Palm-Pilot technology to scan their purchases, the proportion of households buying something organic has remained fairly constant over the past three years at around three-quarters. But in 2003, only half of the 4,000 shoppers surveyed by TNS in a Soil Association omnibus poll readily identified themselves as organic consumers. This suggested that at that time only two out of three households buying organic food and drink were doing so as a conscious choice. However, in the 2005 BRMB poll, the proportion of shoppers consciously buying organic has risen to 61%. Of these 1% say they always buy organic, 11% buy regularly and 49% sometimes (see figure 25, below).

Even among the less well off, the appeal of organic food is clearly widening, with 58%, 48% and 55% respectively of the social brackets C2, D and E now saying they eat organic.

A matter of taste

Research in recent years has consistently shown that taste is one of the two main factors drawing people into eating organic food, the other being the avoidance of ‘health negatives’ such as pesticide

and antibiotic residues. The Soil Association commissioned Market Tools to conduct an online opinion poll about the taste of organic food in July 2005.

The poll surveyed 817 people who have tried organic food, and found that over 90% regarded ‘enjoying a tastier diet’ as an important motivation for going organic. More than seven out of 10 respondents felt that organic fruit and vegetables tasted either ‘quite a lot better’ or ‘much better’ than non-organic, and there was a similar finding for organic meat. Overall, organic fruit and vegetables had the highest taste rating with 49% of respondents identifying them as the products with the most noticeable difference in taste from their non-organic counterparts – 16% voted for organic meat, 15% for eggs and 6% for dairy products.

This Market Tools poll yielded some interesting data on the proportion of spending on food and drink that goes on organic products. When asked ‘What proportion of your food shop is organic?’, nearly 46% said under 10%. A further 30% said they spent between 10% and 30% on organic food and drink. The proportion spending 50% or more was under 9%, showing the vast potential for market growth via increased spending by established organic shoppers (see figure 26, oveleaf).

Market Tools also established that there is a healthy potential market for textile, health and beauty and ethically traded products produced to organic standards. Under 20% of those polled had no interest in buying organic health and beauty or organic textile products. By contrast, almost 46% were current non-buyers of organic health and

Figure 25
Which one of these statements applies to you? (% response)

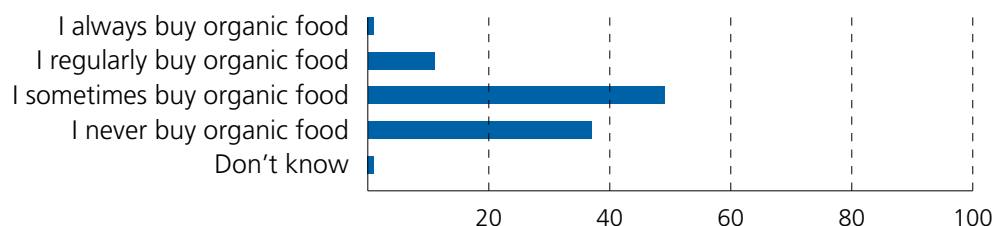


Figure 26
What proportion of your food shop is organic? (% response)

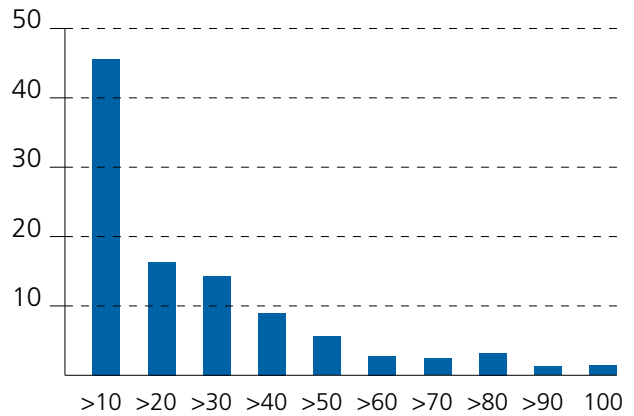
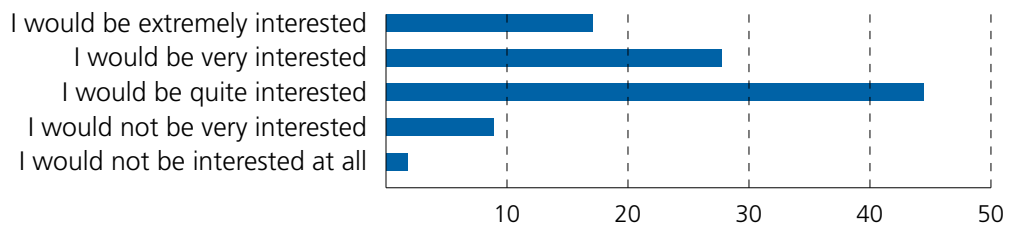


Figure 27
Which answer best describes your use of the following organic products? (% response)

(■ health, beauty and cosmetic products)
 (■ clothing and household products)



Figure 28
How interested would you be in organic products with the Soil Association ethical trade logo on them? (% response)



beauty products who said it was possible they might buy them in the future, while 63% were non-buyers of organic clothing who said they might be future buyers (see figure 27, facing page).

Sales of Fairtrade food and drink have increased rapidly in parallel with the growth of the organic market, and Market Tools found that almost 79% of organic shoppers had also bought Fairtrade products. A remarkable 89% said they would be interested in buying organic products carrying the Soil Association's new ethical trade logo to indicate that farmers in the UK had had a fair deal (see figure 28, facing page).

Organic food and wider environmental issues

'Organic' is far from being the only criterion for food purchasing among the most committed consumers, according to research carried out by Corr Willbourn on behalf of the Soil Association in July 2005. Food miles, packaging and ethical trade all influence the thinking of Soil Association members, who are prepared to avoid buying some organic products if they perceive them to have been over-packaged or transported over excessive distances. For food to be organic is not enough.

Corr Willbourn convened five small discussion groups and two larger workshops to explore how occasional and committed organic purchasers differ in the way they talk and think about food, farming and the environment. One of the five groups consisted entirely of Soil Association members, and this group were found to have undergone something of a conscious and significant environmental lifestyle shift of which buying organic food and supporting the Soil Association were only a part. They were characterised by acute environmental awareness, tended to be interested and involved in local community issues and aspired to a different food culture.

"My main way of connecting with people is over a meal" said one. "The nourishment goes beyond simply food – it is the connection of the individuals around the table." All shopped at farmers' markets, and some exclusively so. They appeared to value authenticity and individuality, and all tended to seek or create personal solutions to immediate environmental problems.

By contrast, the occasional organic buyers involved in the other discussion groups who had no connection to the Soil Association had little personal engagement with the environmental agenda. Even when they understood the causes

and nature of threats to the environment, only a very few claimed that they had even modestly revised their behaviour. There was a sense that the problems were too big to grasp and were up to the Government and business to fix.

There is an echo here of previous research which has suggested that occasional organic consumers are driven principally by the 'selfish' motivations of preserving their health and enjoying tastier food. It is only when they gain a broader awareness and understanding of environmental and ethical issues that they are likely to spend significantly on organic food.

But Corr Willbourn argues that simply communicating the environmental benefits of eating organic will not connect with many of these more 'mainstream', occasional organic buyers. The discussion groups showed them to be very resistant to being 'preached at', and more likely to be turned off than turned on by what they may see as 'hippy' environmental messages.

The answer may be, researcher Hugh Willbourn suggests, not to advocate radical change to this audience but to increase their commitment by communicating with them on the consumer territory where they are and where they will not feel threatened – via celebrity endorsements, promotions, special offers and better presentation of organic products.

In order to achieve the longer term aim of more organic consumers becoming 'lifestyle shifted' – in other words, thinking and acting differently on environmental issues – Corr Willbourn advocates that the Soil Association and the organic movement develop a broader motivational message that goes beyond eating organic, to include localness and Slow Food values. "This broader message will be more attuned to the direction in which consumer consciousness could be heading" says Hugh Willbourn.



Case study **Ashlyns Organics**

Ashlyns Organics Ltd is based at Ashlyns Organic Farm near Ongar, Essex. The Collins family have run the farm since 1970, which is a well-established organic business, farming just over 600 hectares of organic land. The majority of the farm's produce is sold through three organic farm shops. In recent years, Ashlyns Organics Ltd has started to provide local primary schools with organic meals.

In March 2004, Essex County Council returned responsibility for catering budgets to the primary schools. This proved to be an ideal opportunity for schools to consider sourcing local, fully traceable products and improve the quality of their meals. Ashlyns project manager, Gary Stokes, had been supplying a local school since September 2003, and had witnessed the poor standard of meals. Consequently, Ashlyns developed the Feeding our Future project to improve children's awareness and increase the supply of good quality and organic food to schools in the area.



Defra awarded Ashlyns a Rural Enterprise Scheme match funding grant to assist with three key elements of the Feeding our Future initiative: the establishment of an on farm preparation/training kitchen, the creation of a cooperative of eastern regional food producers, and help with the logistics and management of the project. Jeanette Orrey (who has been working in school kitchens since 1988 and continues to be a pioneering force behind the movement to improve school meals) has been working closely with Gary, providing the initiative with the experience and knowledge of how to run a successful kitchen.

To realise the full potential of the project, it soon became clear that an education facility was needed. The new training kitchen, which opened in July 2005, will enhance the skills of school cooks and catering staff in the use of fresh, organic and unprocessed ingredients. The aim is to provide advice on how to source ingredients from local

producers, and equip school cooks and catering staff with the skills needed to transform their school meals. The kitchen will also be used to prepare vegetables for the schools, which also provides Ashlyns with a market outlet for grade outs.

To provide a 'virtual' link between the production, processing and ultimately the eating of the produce from Ashlyns, a computer software package has been designed, which gives them control over the whole process. As part of the educational element of the initiative, schoolchildren are involved in the design of the school meal menus. With full knowledge of the menus and detailed information regarding meal uptake provided by the software, Ashlyns are able to plan their planting and cropping systems accordingly. It is hoped that this 'virtual' link will become very real when children visit the farm on educational days to see how their food is produced, before eating a lunch provided by the new kitchen.



Case study **Center Parcs**

Holiday village group Center Parcs offer organic options for children in a number of their restaurants. Miniscoff won the contract and now provide 2,000 to 3,000 organic meals a week for Center Parcs restaurants in Wiltshire, the Lake District, Nottinghamshire and Suffolk. Approximately one in 10 guests buys organic meals for their children.

In 2002, Centre Parcs made the decision to offer guests free organic baby food when dining in their restaurants. A year on, they began to look into organic options for older children. "It was a very exciting time for us" says Mark Spincer of Center Parcs. "I began working closely with Jonathan Binns, our executive chef at Longleat, and we started to develop new organic options." In addition, salt and sugar levels were reduced across the menu, while traditional favourites like chicken nuggets and chips were produced in the healthiest, freshest way possible. The response was very



positive. “If children want to eat chicken nuggets and chips, we decided that we were going to make the very best chicken nuggets and chips that it was possible to make,” comments Mark. The positive customer response inspired Center Parcs to extend the menu to incorporate organic desserts and drinks, so that children could eat an entirely organic meal.

In total, 25 Center Parcs’ restaurants rolled out the full organic menu. Interestingly, Center Parcs found that about half of those buying organic children’s meals were new to organic, which suggests that Center Parcs are providing a route into the organic market for a significant numbers of consumers.

Ensuring reliable supply for 25 restaurants sited across the country is sometimes a challenge, particularly for smaller producers. However, Mark is looking into allowing local supply to inform the Center Parcs menus, which would create greater

freedom in procuring locally for each restaurant, rather than imposing standardisation across the restaurants. “It has taken time to understand the organic market and I am learning all the time,” comments Mark. “It has opened our eyes to the issues facing smaller producers and farmers. For example, we are now having to forecast how much produce we are likely to want over the coming year.”

The future for organic at Center Parcs is looking positive. With the children’s organic menu such a success, exploration is underway to develop the menus further to include organic options for teenagers and adults. There is also room to develop the marketing of Center Parcs’ greater commitment to local, healthy and organic food and drink. Center Parcs are becoming a significant player in the organic market and they have the opportunity to inform consumers, support a plethora of organic producers and supply high quality, locally produced organic food.



Case study **Green & Black's**

Green & Black's have been producing organic chocolate since 1991. As one of the first chocolate brands with high cocoa content, Green & Black's has gourmet attributes, appealing to luxury food outlets such as Selfridges and Harvey Nichols. The first few years saw steady growth in UK distribution, until the late 1990s when a significant shift took place. Health scares at this time were making consumers question the more conventional outlets and their supply networks and organic was seen as a safer and healthier option.

With the brand now making headway in more and more supermarkets and outlets, sales soared. Over the past four years the business has quadrupled, with annual turnover now standing at £30 million.

Until recently, export was not a priority for Green & Black's; the business strategy was firmly focused on establishing the brand within the UK. However, Green & Black's has been available in the US since the late 1990s through specialist importers. Brand awareness has been generated through international exhibitions such as the Natural Products Show. A decision was made in 2002 to actively develop the US market. "The time was right for us to take the brand to the US," comments Mark Palmer, marketing director for Green & Black's. "We saw the same trends appearing in the market there as we had witnessed here in the UK. Interest was growing in organic with very successful new retailers appearing, such as Wholefoods Market. It was becoming a more sophisticated, retail opportunity for us."

The US represented a huge opportunity for Green & Black's as Europe was already well supplied with



high quality, high cocoa chocolate. This required a substantial investment in terms of time, people and money. Green & Black's established key people in the US who began forging relationships with distributors and wholesalers.

Now one of the largest UK organic exporters to the US, Green & Black's are developing an increasingly high profile internationally. The US currently represents 10% of the company's total turnover and this figure is set to rise significantly over the next few years. "We are successful because we have a high quality product that people genuinely want and the market is most definitely growing in the US," says Mark. "There is an emerging group who are very interested in organic, high cocoa and ethically produced chocolate. Ours is a brand that appeals to consumers – and we are going to last, we are certainly not a fad. Also key to our success is our business approach which is very focused and professional. I would say that we are actively stimulating a market that is already developing."

Growth strategy is very much rooted in steady growth, starting small and building a strong base from which to expand. "Growth cannot be achieved overnight; we are very much about doing things sensibly and placing the brand in the right places," Mark explains. Green & Black's are also able to draw from their experience and success in the UK market. It enables them to tell a positive commercial story as well as an inspiring brand story to potential international distributors and suppliers.

The company has had to invest in experienced, professional people who know the market, supply chain and trade channels very well. It has also

involved a serious commitment to their international markets. They have had to spend time getting the products right for each different market, which includes bespoke packaging requiring investment in design, and coding. "If you want to be a serious, lasting brand in the international market you have to be prepared to invest and you have to make the product look professional," Mark comments. However, developing products uniquely for each market has its challenges. It adds a dimension of complexity to the business and it also means making the financial investment prior to seeing the return. So there is a risk. Certification outside of the UK also presents further issues, with products needing to comply with different organic standards for each different country. Persuading retailers to take the product can be difficult, too. So far in the US, Green & Black's has penetrated mainstream supermarkets where organic ranges are already present. "Inevitably as the brand gains momentum and presence as it has done here in the UK, it will be easier making initial approaches," Mark explains.

Green & Black's are very serious about increasing the availability of their products in the US. The brand is still marketed in a small, yet highly focused way. The aim is to double the business year on year. Key to growing the business is raising awareness both at the consumer end and by making trade investments. Successful consumer marketing tools include in-store tastings and press coverage, which have worked well in the UK and will be taken into the international marketing mix. The brand has done its groundwork and is set to become global with major launches planned for Ireland, Australia and Canada.



Case study **howies**

howies was set up 10 years ago by Clare and David Hieatt, with the launch of a high quality T-shirt range, targeting the active sports market. howies have expanded their ranges significantly over the years and now stock 70–80 UK shops, including Selfridges. howies are set to ‘go global’ with distributors in Australia, Norway and France.

The decision to convert to organic was made five years ago. Clare Hieatt is passionate about the value of organic. “Organic cotton, apart from being chemical-free and far healthier for the environment, is generally better quality than non-organic,” she explains. “Although it is a little more expensive, we compete on price with non-organic brands and still have a good mark-up. We have worked very hard on our relationships with our suppliers. We source all our organic cotton in Turkey and have an excellent relationship with our supplier there.” As howies grow they are able



to afford to commission the production of more organic fabrics, such as organic denim, to satisfy the growing demand for environmentally produced clothing.

howies think that good customer communication is key to their success. “Customers love our products and us as a company so much because we have a real story to tell and we stand for something”, Claire says. “More and more people want brands and products that are about beliefs, ethics, ideas. And they want to know how products are made and where they come from. Customers are more thoughtful and so they want thoughtful brands.”

howies catalogue is as much a magazine as a sales brochure. Forty percent of its content is given up to thoughts, stories and dialogue, and over 20,000 catalogues are mailed out to customers every season. “Our relationship with our customers is

very personal,” Claire adds. “We have a very high level of loyal customers and we are constantly in touch with emails. People send us their thoughts and ideas; I think people feel that they are buying into a community when they buy howies. Also we are very sensitive to feedback and ideas about products, and we do get a lot of fan mail – which is great!”

howies really became a serious business four years ago when Clare and David found premises in west Wales and began working full-time on developing the company. They have attracted a very committed team of like-minded people, many of whom have relocated to be part of a business that offers them an ethical, enjoyable way of working and living. howies sees its future as expanding slowly into a larger business, whilst retaining its sense of responsibility to the environment and its free spirit.



Case study

River Nene Organic Vegetables

Based in Peterborough, Cambridgeshire, the River Nene organic box scheme is the brainchild of Andrew Burgess and Guy Watson, grower and owner/founder of Riverford Organic Vegetables.

Riverford Organic Vegetables was established in 1993 and has grown into one of the largest box schemes in the country, selling over 25,000 boxes a week to homes in the Southwest and to the fringes of London. Guy and Andrew worked together to find the best way to emulate the Riverford model in the Midlands, with the aim of providing a real alternative to supermarket shopping. By December 2004, the foundations for River Nene Organic Vegetables had been laid.

River Nene Organic Vegetables work with 10 cooperating local growers, supplying 4,500 boxes a week after just eight months trading. "First of all, we set up a growers group," explains Rob Howard, River Nene's general manager. "We aim for these



local producers to be the mainstay of our supply, providing 80% of the contents of our boxes over the year. This strong and close-knit grower group is essential to our success.”

Fifty per cent of new business is coming from word of mouth. Every River Nene box also includes a weekly newsletter to communicate with customers about what’s happening on the farm, and to provide recipes. This helps to develop a loyal and firm customer base.

In order to sell produce that supports the growers, and to raise consumer awareness about the growing process and the value of eating seasonal produce, River Nene offers its customers no choice over box contents. Currently, the customer base tends to be fairly ‘light green’ and Rob believes that more educational activities will be needed to penetrate the wider market. “People are used to having so much choice, and the supermarkets both promote

and pander to this concept. It takes a shift in understanding to appreciate the concept of eating what grows naturally in each season.”

Produce is delivered from the growers to River Nene, where it is packed and taken out to distribution hubs across the region. A number of smaller delivery vans then take the boxes directly to the customers’ doorsteps. Unusually, consumer marketing and final delivery is structured as a franchise operation. Rob sees this as a key component in the success of River Nene. “The term ‘franchise’ has negative connotations in the minds of some people. But this way of running the business is actually the absolute key to our success.” The selection process is rigorous, as franchisers are required to sign a 15-year contract. A great deal of time and energy is put into the training process, which includes valuable time spent on the farm. River Nene aims to have 20 franchisees selling a total of 10,000 boxes by the end of 2007.



Case study **Spiezia**

Mariano Spiezia is a qualified doctor who retrained as a homeopath after becoming disillusioned with mainstream medicine. He relocated from Italy to Cornwall with his wife, Loredana, and began to develop a range of medicinal balms followed by skincare products. With the support and encouragement of natural health and beauty guru, Josephine Fairley, the Spiezias created a new and entirely natural and organic face cleanser. Josephine went on to feature the product in *The Mail on Sunday's You Magazine*, which generated massive consumer demand for the company's products.

In 2003, it became clear that the Spiezias needed to develop a more commercial and structured way of doing business. They invited three new directors to join the business, which provided an injection of commercial experience and expertise as well as much needed financial investment. Successful hoteliers Amanda and Martin Barlow brought their commercial acumen, along with a passion for organic and natural living, while George Allnutt, a local entrepreneur with over 30 years of experience of developing and investing in companies, came on board with financial backing and a flair for business.

To meet the demands of the UK's growing organic market the new team set about analysing the



business. They decided to focus on successful products, introduce more structured processes, adjust the pricing structure and develop a new contemporary brand. “It has not been without pain,” comments Amanda. “Yet the growing pains are a necessary part of change. And although the business has become more organised and structured we have been very careful to manage the demand so that we can maintain our entirely hand-made status. Sustainable growth that maintains the integrity of the product, the care with which we make it, and the quality of the ingredients are all absolutely central to our business growth.”

Spiezia are now a major player in the organic skincare market. The business has expanded from a turnover of £8,000 a month to between £20,000 to £30,000, with invitations pouring in to supply a wide range of stockists, spas and outlets across the country.

The Spiezia ranges are produced from entirely natural and organic ingredients with no preservatives whatsoever. Mariano realised that olive oil was the closest oil to the sebum of the skin and drew on ancient Egyptian and Roman wisdom, studying in detail the uses and properties of a vast range of flowers and herbs. The ranges are entirely hand-made without the use of synthetic preservatives and the Spiezia team is fiercely proud and passionate

about their natural processes and products. According to Spiezia, everything comes down to people: staying open, listening, learning and respecting others. When asked what it is that has made Spiezia so successful Amanda does not hesitate: “People, people, people. We have been overwhelmed with the support, honesty and enthusiasm that is so prevalent in the organic community. We would not be the success story that we are without them.”

To date, Spiezia has sourced its raw materials overseas but the company is keen to support the Cornish economy and is currently in negotiation with a local farmer, with a view to sourcing raw materials locally. Spiezia’s ranges will be extended and it looks likely that they will become a truly global company. They are due to supply new Harvey Nichols stores opening in Dublin and Istanbul and have received further enquiries from the US, Eastern Europe and Japan. Martin Gayle, a high profile hairdressing business in Notting Hill, London, has recently become a stockist of Spiezia and it looks very likely that the fashion industry will see a lot more of the Spiezia brand. The Spiezia team is also keen to set up a health centre in Cornwall that will educate people about the use of herbs and flowers for a naturally healthy life.

Appendices

Appendix 1

Marketing claims for organic food

Conveying the benefits of organic food to consumer is of increasing importance to organic businesses in marketing their products. The following statements about the benefits of organic food have been approved by the Advertising Standards Authority's Committee on Advertising Practice (CAP). They can be used by companies in adverts, on leaflets, and as part of on-pack sales promotions such as a prize competitions or 'buy one, get one free' offers.

The statements must be used in full in the exact form in which they appear on this document. If you want to summarise or make other use of the approved claims, please contact the CAP for advice.

Organic businesses are encouraged to make use of these quotes, but it is strongly advised that all advertising and promotional copy is cleared in its entirety with the CAP. The CAP has drawn up guidelines for organic advertising claims and has a 24 hour turnaround copy-checking service (call 020 7580 4100 for details or see www.cap.org.uk)

Although these quotes have been approved by the CAP, if a complaint is made, the ASA will review the evidence and may overrule copy approved by the CAP. The ASA's adjudication of complaints examines the use of text in the round, so the context in which this material is used will be considered as well as the robustness of the material itself.

Claims made on packaging (excluding claims within copy about promotional offers – see above) are a matter for Trading Standards authorities as they do not fall within the remit of the ASA and CAP. As with the CAP, the service offered by Trading Standards is advisory rather than compulsory. To seek Trading Standards advice, contact your local Trading Standards office.

The following quotes are all Trading Standards approved:

Animal welfare

- No system of farming has higher levels of animal welfare standards than organic farms working to Soil Association standards.

Vitamins and minerals

- No food has higher amounts of beneficial minerals, essential amino acids and vitamins than organic food
- The use of synthetic fertilisers, plant breeding,

and longer delays between harvesting and consumption have led to reduced trace element and vitamin content in food.¹

Pesticides

- The best method of reducing exposure to potentially harmful pesticides would be to consume organically grown food, where their use is avoided²
- Consumers who wish to minimise their dietary pesticide exposure can do so with confidence by buying organically grown foods³
- Consumption of organic produce represents a relatively simple means for parents to reduce their children's pesticide exposure⁴
- The Rt Hon Clare Short MP says that “over the last half-century, agriculture has been transformed through the intensive use of agrochemicals. The inputs have helped to increase food production, but the cost has been high – unacceptable health and environmental damage.”⁵
- Looking at the bioaccumulative pesticides used in non-organic farming, the British Medical Association say that due to the manner in which pesticide residues are stored in fatty tissues they may remain in the body for several years, and there is concern regarding possible neurobehavioural and neurotoxic effects, mutagenicity, teratogenicity, carcinogenicity, and allergic and other immuno-regulatory disorders⁶
- Under Soil Association standards only four chemicals are allowed in sprays on organic crops – 430 are allowed on non-organic crops. As a result, organic foods contain fewer pesticide residues and fewer ‘cocktails’ of chemicals than non-organic food, including ‘conservation grade’ food or food from ‘integrated pest management’ farming³
- Some pesticides are endocrine disrupters.¹

Additives

- Some chemical additives that preserve food, or add colour or flavouring, affect individual well being, for example, tartrazine food colouring is linked with hyperactivity¹
- Only 32 of the 290 food additives approved for use across the EU are permitted in organic food. The controversial additives aspartame, tartrazine and hydrogenated fats are banned in organic food. Therefore a wide range and large quantity of potentially allergenic or harmful additives are avoided on a diet high in organically grown foods.⁷

Antibiotics

- Prophylactic and regular use of antibiotics is not permitted in organic standards for animal

husbandry. There is growing concern that antibiotic residues in meat and dairy products could result in the development of antibiotic resistance in bacteria that are prevalent in humans, thereby reducing the effectiveness of antibiotics used to treat human disease⁸

- Antibiotic additives routinely added to animal food to speed animal growth are linked with bacterial resistance in humans to the same or closely related antibiotics.²

Fats

- No hydrogenated fats are allowed in organic food
- Eating organic food allows people to avoid hydrogenated fats completely
- The UK Food Standards Agency says that “trans fats have no known nutritional benefits and because of the effect they have on blood cholesterol they increase the risk of coronary heart disease. Evidence suggests that the effects of trans fats are worse than saturated fats.”⁹
- When hydrogenated fats are made, trans fats are created too.
- The US National Academy of Science's Institute of Medicine says that there is no safe level of trans fat consumption and that consumers should consume as little as possible of products containing this substance¹⁰
- Organic standards require that cattle be fed on predominantly forage-based diets. Research suggests that a diet high in forage rather than grain reduces the saturated fatty acid concentrations and enhances the content of omega-3 polyunsaturated fatty acids in beef.^{11, 12}

Wildlife, environment, animal welfare and jobs

The Government, their statutory advisors (English Nature, the Environment Agency) and NGOs, including the RSPB, say in the Organic Action Plan that organic farming has environmental benefits. The Government stated that organic farming is better for wildlife, causes lower pollution from sprays, produces less carbon dioxide and less dangerous wastes, has high animal welfare standards and increases jobs in the countryside.¹³

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Appendix 2

Methodology and data sources

To bring the *Organic Market Report 2005* into line with Defra's organic land area statistics and European reports on the organic market the data collection and reporting period has changed. The data collection period has moved from the financial year, April to April, as used in previous *Organic Food & Farming Reports*, to the calendar year January to December 2004. Therefore, unless otherwise stated all data refers to the period covering 1 January to 31 December 2004.

Chapter 1 | Organic food and farming worldwide

- *Organic farming worldwide*
Section contributed by Organic Monitor
- *Organic food and farming in Europe*
Section contributed by Institute of Rural Studies, University of Wales.

Chapter 3 | Organic farming in the UK

- *Land area statistics/producer numbers/regional distribution*
Collected by Defra from the certification bodies. Land area statistics have been recategorised by the Soil Association in conjunction with Defra. Non-cropping land has been removed
- *Average organic farm size*
Organically managed land area divided by number of producers in each region
- *Tonnage and farm gate value of arable crops in the UK*
Average yield per hectare taken from the *Farm Management Handbook 2004*, minus 1% to account for the wet harvest. Total volume (tonnes) calculated by multiplying average yield by hectares of organic arable crops. Average split between milling and feed estimated by grain traders.

Average price per tonne taken from the 'eye on the market' prices in the journal *Organic Farming*

- *Organic vegetable production*
This section contains interim results from the 2004/05 Defra funded organic vegetable market study conducted by HDRA
- *Breakdown of tonnes produced and farm gate value for UK organic fruit*
Section contributed by HDRA. Based on Defra area data and estimated yields and prices
- *Volume of UK organic milk produced/collected*
Data provided by Federation of Organic Milk Group. FOMG account for approximately 90% of the market. 10% added to raw data
- *Total/organic farm gate value of milk*
Total farm gate value based on an average 24p/litre for organic and non-organic milk in 2004. Organic farm gate value based on average 29.5p/litre for milk sold as organic in 2004
- *Production of organic meat 2004*
In May 2005 a questionnaire was sent to all licensed organic abattoirs in the UK. A 75% response rate was achieved. Non-returns were estimated using industry knowledge/telephone interviews
- *Farm gate value of organic livestock 2004*
Average price from 'eye on the market' prices in the journal *Organic Farming*. Average weight estimated using industry knowledge and the *Farm Management Handbook 2004*
- *Organic farm income*
Section contributed by the Institute of Rural Studies, University of Wales.

Chapter 4 | Retail sales and imports

- *Supermarkets sales*
Questionnaires were sent to Waitrose, Sainsburys, Somerfield, Morrisons, Marks & Spencer, Tesco, Asda and the Co-op in May 2005. A 75% response rate was received. TNS data was used to calculate the missing retailers share of the organic market
- *Supermarket imports*
The British Retail Consortium collected data on behalf of Defra in 2003 and 2004. The percentage of organic produce sourced from within the UK is compared with the percentage of non-organic own-label produce sourced from within the UK in multiple retailers 2003/04. In 2003 Tesco, Asda, Sainsbury, Safeway, Marks & Spencer, and the Co-op contributed to the survey. In 2004 Tesco, Asda, Sainsbury and the Co-op contributed to the survey
- *Direct and alternative market sales*
Questionnaires were sent to all producers and processors licensed with SA Certification and Organic Farmers and Growers and any additional

producers and processors listed in the *Organic Directory* in May 2005. Based on numbers listed in the *Organic Directory* the following response rates were achieved: 13.5% box schemes, 30.4% farm shop/gate sales, and less than 6% of mail order outlets. The sample was checked for representativeness. For each outlet type the sample was split into three groups based on 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* (476 box schemes, 425 farm shop/gate sales, and 437 mail order schemes). 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. The box scheme sample was not representative, as all very large box schemes in the UK had responded to the questionnaire. Consequently, the large box schemes were not multiplied up to represent the total population; total sales value for the large box schemes was added to the final calculation. FARMA estimated total farmers' market turnover in 2004, and the percentage of organic stallholders (10–15%)

- *Box scheme imports*

A representative sample of 37 producer-owned box was used to evaluate the link between size of box scheme and source of produce sold

- *Adjusted retail sales figures/annual growth*

The 2003 calendar year was estimated by removing the retail sales figure for the first quarter of 2004, from the April 2003–April 2004 sales figure reported in last year's report. The retail sales figure for the first quarter of 2003, was taken from the April 2002–April 2003 retail sales figure, and added to create an estimated retail sales figure relating to the 2003 calendar year. The percentage difference between the estimated 2003 calendar year sales figure and the 2004 calendar year sales figure equates to a continued annual growth rate of 11%

- *HDRA direct sales of organic vegetables survey*

HDRA conducted a survey of organic vegetable direct sales operators to quantify the size and value of the market and determine the state and dynamics of the market through collecting actual data and supplying it to the industry. Questionnaires were sent to 319 vegetable direct sales businesses in the *Organic Directory* in February 2005. A 42% response rate was achieved. This sample of vegetable direct sales businesses was

scaled-up assuming a total population estimate of 358 businesses, 73% being farm-based. The sample was believed to be representative for all outlets and crops. Turnover provided in the survey was used to calculate total 2004 figures. Stated per cent changes from 2003, and predicted changes for 2005, were used to calculate values for those years respectively. Direct sales were defined as those that pass directly from farmer to consumer, so only included produce that was produced and sold from the same farm. Trade including other UK farms (for example for buying in extra vegetables out of season) was calculated separately as was the value of organic vegetables sold through farm-based outlets in order to account for all types of sourcing, and to give a clearer picture of the market

- *Independent retailers*

A telephone survey of all independent retailers (minus farm shops) listed in the *Organic Directory* (516 retail shops) was undertaken in August 2005. A 16.7% response rate was received. The sample was checked for representativeness. Respondents were split into small, medium and large depending on their organic turnover. The percentage of the sample that was small, medium and large was applied to the total population. Average sales value for each group was calculated. The sample was multiplied up to represent the total population using the average sales value for each group (small, medium and large).

Chapter 6 | Processed food and drink

- *Number of organic processors*

Data source, OASIS Defra 2005.

Chapter 8 | The organic consumer

The Soil Association commissioned three pieces of consumer research in 2005: Telephone omnibus survey of 1,010 consumers conducted by BRMB; Online opinion poll of 817 consumers conducted by Market Tools in July 2005; Five small consumer discussion groups and two larger workshops, conducted by Corr Willbourn.

Appendix 3

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OMSCo (Organic Milk Suppliers Cooperative) is a cooperative of around 300 British farmers, supplying around 60% of the UK organic milk market. Although most is sold as liquid milk, a good proportion is used by key organic processors such as Yeo Valley and Lye Cross in the production of organic yogurt and cheese

Over the last 10 years, OMSCo's continued ethical approach to relationships within the industry has brought together farmers, processors and retailers. By using this innovative stance OMSCo has maintained its position as the largest organic milk supplier in the UK.

Recently OMSCo launched 'altogether better', their own-brand organic milk from specially-selected farms. This is sold in Sainsbury's stores nationwide.



Langmead Farms Ltd grows organic salads and vegetables on two Soil Association certified farms on the South Coast. We are pleased to sponsor the *Organic Market Report 2005*, reflecting our commitment to providing our customers what they want today and actively working with the Soil Association and others to deliver what consumers and citizens want tomorrow.

Langmead Farms Ltd is dedicated to being the number one supplier of organic salads and vegetables to our customers. We are achieving this by investing in land, people and innovation to deliver truly sustainable organic systems of which we are immensely proud whilst also delivering against the demanding criteria of service, quality and price always expected by our customers.

Langmead Farms Ltd has been growing organically for more than five years; constantly improving and developing our systems to become the market leader we are today. We supply salads and vegetables into multiple retailers, wholesale markets, processors, caterers and distributors; offering year-round supply through support from our organic farms in Spain.

More information about Langmead Farms Ltd is available at www.langmeadfarms.co.uk or from sales@langmeadfarms.co.uk



Graig Farm Producer Group is pleased to be sponsoring the *Organic Market Report 2005*. Our producer group works to bring together organic livestock producers to get the most out of the ever-expanding opportunities in the organic meat market. We energetically promote the interests of hundreds of lamb and beef producers by selling their output, coordinating their offtake and production, smoothing out market fluctuations, achieving a fair price for their produce and using the combined purchasing power of our members to obtain cheaper farming inputs.



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 the 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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