Soil Association
Organic food & farming report 2004

Report sponsored by

From farm to fork – The pictures featured in this report highlight the relationship between organic suppliers and consumers. The organic leeks are grown and harvested at Mayfield Organics in Littleport, Cambridgeshire and delivered by the Eostre Organic co-operative in East Anglia to the Thomas Fairchild Community School in London. The school is working towards the Soil Association Food For Life targets and all of its meat, fresh fruit and vegetables are organic.

The Soil Association would like to especially thank Eostre Organics, Simon Steel at Mayfield Organics, and the staff and students at the Thomas Fairchild School, in particular Mary Coughlan, Alasdair Friend and Chelsea Taylor.

Sponsors

The production team for the *Organic Food & Farming Report* wishes to thank members of the Soil Association's Processor Liaison Group (PLG) for their support in producing this year's report. Several members of the group assisted by providing market assessments of their particular sector areas. We are also particularly grateful to the companies that have sponsored the report, including some members of the PLG, providing financial assistance with research and production. These are:

Go Organic, maker of high-quality organic pasta and curry sauces and soups
Grove Fresh, maker of seven pure, single-strength organic juices (not from concentrate)
Hambleden Herbs, maker of 160 organic teas, herbs, spices and tinctures
Rasancó, ingredients supplier to organic food, drink and animal feed manufacturers
RDA Organic Juices and Smoothies, winner of the award for the UK's best organic soft drink
Yeo Valley Organic, the UK's leading maker of organic dairy products.

The Processor Liaison Group was formed in 2000 to give licensed organic food processors and manufacturers a mechanism through which they can voice their needs and concerns to assist the continual development of their sectors. Members of the group also inform and support the Soil Association's work in standards, supply chain development, marketing, technical services and policy lobbying.

For more information on the PLG, contact Merryn Marsh at the Soil Association (mmarsh@soilassociation.org).

The tenfold growth of organic food sales in the last decade has brought with it new opportunities and challenges for the UK organic movement

Foreword

This report is full of good news. Demand for organic food is continuing to increase as interest grows in where our food comes from and what's in it. The most significant growth has been in direct sales through outlets such as farmers' markets and home-delivery box schemes, reflecting the growing interest in personal contact with the dedicated individuals who produce organic food.

As awareness increases, consumers are increasingly expressing their wish to buy more local and seasonal organic produce, and policy makers have set a target for 70 per cent of organic food consumed in the UK to be produced here by 2010. The latest figures indicate that previous steady progress towards this goal is now faltering. It is time for all the leading supermarkets to raise their game in reducing imports, following the lead taken by Marks and Spencer, Sainsbury's and Waitrose in switching to UK producers.

The multiple retailers still account for almost £4 in every £5 spent on organic food in the UK, so the way they deal with farmers will be crucial to the future development of organic agriculture. If prices to farmers do not cover the cost of production, we may see the disappearance of those small, mixed family farms that are the bedrock of the organic movement.

To tackle this challenge and promote fair and sustainable trading practices, the Soil Association has launched new ethical trade standards this year. The new 'ethical trade' variant of our symbol offers a guarantee that farmers have received a fair price and that farm workers have been fairly treated. If this ethical trade pilot is to be successful, we must progressively increase consumer awareness of ethical issues as we have before with environmental and animal welfare concerns.

If the core business of the supermarkets is giving their customers what they want today, it is the job of the Soil Association to influence what they will want tomorrow. Our single most important activity is raising public awareness – persuading people of the benefits of truly sustainable agriculture so that market demand can drive change in the way food is produced.

Patrick Holden

Patrick Holden,
Director, Soil Association

01 The shape of organic food and farming in 2003/04

A decade of growth (p15)

Over the last 10 years sales of organic food in the UK have increased ten-fold – from just over £100 million in 1993/94 to £1.12 billion in 2003/04. During 2003/04, organic sales grew by 10.2 per cent, at almost £2 million a week.

Fully organic land at a record high (p9)

Although land coming into conversion has slowed, the area of fully organic land increased by 18 per cent in the reporting period to 630,299 ha. Organic and in-conversion production now accounts for four per cent of UK agricultural land on a total of 688,373 ha.

Direct sales top £100 million (p17)

More consumers are choosing to connect with agriculture by buying organic food direct from the producer. Sales through box schemes, farmers' markets and farm shops have grown faster than any other retail outlet at 16 per cent. Box scheme sales have soared by over 20 per cent.

New payments reward farmers for environmental benefits (p7)

Organic farmers in England and Wales are to receive ongoing environmental stewardship payments from 2005, rewarding them for the wildlife benefits organic systems deliver and bringing government support in line with the rest of Europe.

Increased environmental awareness (p21)

Over three quarters of those buying organic food are now convinced of its benefits to wildlife, according to a new Soil Association/NOP opinion poll. This increased appreciation of organic farming's environmental dividend may be partly due to public acceptance of the environmental benefits by government and conservation bodies.

Boost for organic food in schools and hospitals (p7)

Government procurement policy and this year's Soil Association report on school meals have driven a strong emphasis for schools, hospitals and other public sector catering outlets to serve organic food. Seventy per cent of the UK public would like to see organic or locally produced food in schools.[1] A modest 1.2 per cent share of UK public sector catering for organic food could boost organic sales by over £25 million. Over 300 schools throughout the UK have been in contact with the Soil Association about improving school meals.

Ethical Trade – a fairer deal for producers and consumers (p15)

In spring 2004 consumers were able to taste the first products to carry the new Soil Association Ethical Trade symbol. The new pilot project enables consumers to favour companies working to new ethical standards that ensure farmers and their employees receive a fair deal.

Static market share for UK producers (p15)

Despite the continued growth of the organic market and the setting of clear government targets for expanding UK organic production, little progress has been made this year towards import substitution. The overall level of imports has remained static at an estimated 56 per cent.

New opportunities for organic restaurants and catering (p19)

More people can now enjoy organic food when eating out as the number of licensed restaurant and food service businesses doubled in 2003/04. The £26.8 billion catering market offers a huge opportunity for organic producers and processors, as a recent opinion poll indicates that 44 per cent of the UK public would like to see an organic option on the menu when eating out.[2]

New markets for organic textiles and health and beauty products (p20)

More and more consumers and businesses are recognising that the organic lifestyle choice extends beyond the food we eat. This is creating new and exciting business opportunities for organic material suppliers. Consumers can now buy certified organic tanned leather and cotton, as well as soap, skin care products, shampoo, balms and essential oils.

Co-operation signals success (p10)

More organic producers are reaping the benefits of marketing groups offering a range of advantages, including long-term price and volume stability, improved access to markets, and sharing of labour, equipment and skills. A number of successful co-operative models already exist across the UK. Fifty one per cent of organic farmers are likely to develop alliances with other farmers in the near future.[3]

[1] NOP opinion poll commissioned by the Soil Association, August 2004. [2] Ibid. [3] *Farmers' Voice 2004 Summary Report: Organic Farming*, ADAS Consulting Ltd. July 2004.

With sales topping £1.1 billion, the UK is the third largest player in the rapidly growing £15 billion global market for organic food and drink

02 Organic food and farming worldwide

In 2003/04 the global market for organic food was worth an estimated £15 billion,[4] with 24 million hectares[5] of farm land managed to organic standards across the world. The UK now has the ninth largest organic land area in the world and the third largest market.

2.1 Worldwide

Over 7.25 million hectares is farmed to organic standards in the **Americas** – 30 per cent of the world's organic agricultural land area, mostly in Latin America. Argentina and Brazil are significant producers of organic livestock, coffee, fruit and vegetables, herbs and sugar, while Uruguay is an increasingly important producer of organic meats. Unsurprisingly, the United States has the largest organic food market, with retail sales of £7 billion in 2003.

Asia's organic food industry looks set to experience rapid growth. Although sales remain low, the area of organic land is increasing quickly, reaching 881,511 ha in 2003. China, the Ukraine and Bangladesh account for 82 per cent of Asian organic farm land, and government programmes in Malaysia, India and Thailand should encourage further expansion.

Nearly all of **Australasia**'s 10 million hectares of organic farm land is in Australia, which has the world's largest organic land area. New Zealand's 40,000 ha of organic land is highly geared towards exports, including lamb, onions, apples and kiwi fruit.

African farmers continue to convert to organic agriculture, taking the total organic land area to 320,943 ha. Many

[4] *The Global Market for Organic Food & Drink*, Organic Monitor, July 2003. The market size would be larger if not for the depreciation of the US dollar, which has reduced the size of the North American market in terms of pounds sterling. [5] *The World of Organic Agriculture, Statistics and Emerging Trends 2004*, Yussefi, M and Willer, H. IFOAM.

The Soil Association is grateful to the following organisations for contributing this section on '**Organic food and farming worldwide**':

The Institute of Rural Sciences is based at the University of Wales, Aberystwyth. Its Organic Farming Research Group has a long history of research into economics and policy related to organic farming.
Visit www.irs.aber.ac.uk/research/agroecology.shtml

Organic Monitor provides marketing and consultancy services and strategic research on the international organic food industry.
Visit www.organicmonitor.com

The Research Institute of Organic Agriculture (FiBL) is one of the world's leading organic research centres, based in Switzerland and Germany.
Visit www.fibl.org

convert because organic food generates higher export revenues, producing fruit, herbs and spices, tea, coffee, cocoa, sugar and cotton. Production is concentrated in Uganda (122,000 ha), Tanzania (55,867 ha) and South Africa (45,000 ha). Africa's small indigenous market for organic food mainly lies in Egypt and South Africa.

2.2 Europe

By April 2003 the European market value for organic food was an estimated £7.2 billion.[6] Around 5.6 million hectares – or 3.5 per cent of the utilised agricultural area – was managed organically in the enlarged EU on over 160,100 holdings.[7] The land area increased by four per cent in 2003 compared with 2002, while the number of farms increased by one per cent. Although existing producers apparently converted more land, new entrants were deterred by uncertainties over the Common Agricultural Policy (CAP) reform and the marketplace.

The first European Action Plan for Organic Food and Farming was launched in June 2004, outlining new initiatives at a European level which will support the future development of organic food and farming across Europe.[8] More information on global organic food and farming can be found on the *Organic Food & Farming Enhanced CD-Rom*, including in depth country reports and policy and research developments in Europe.

UK growth rate sets the pace

Among the economies of western Europe, the UK continues to lead the way in terms of organic market growth, with a 10 per cent increase in sales during 2003/04. Some well-established markets, such as Germany, are now characterised by lower growth rates – or even a decline in some product categories. However, markets such as France and the UK illustrate that continued growth is possible. Growth also remains strong in some of the less-developed organic markets in other countries.

Germany remains the EU's leading market with an estimated retail value of £2.1 billion – an increase of four per cent in 2003.[9] The organic land area and number of farms also increased by 5.3 per cent, to 734,027 ha across 16,476 farms. Future prospects for market development look promising.

France and the **UK** compete for second place with retail markets topping £1 billion. France's retail market has continued to grow but, unlike in the UK, the organically managed land area increased from 2002 to 2003. In Paris, afternoon snacks in many nurseries are now organic, financed through an increase in the school meal's budget.

Italy has the largest organic land area in the EU and the fourth largest market, despite a small drop in land area and producers. Exports of fruit, some vegetables, wine and pasta cereals to other EU member states fell by 20 per cent and organic farmers' unions are calling for more to be done to promote sales outside the EU.

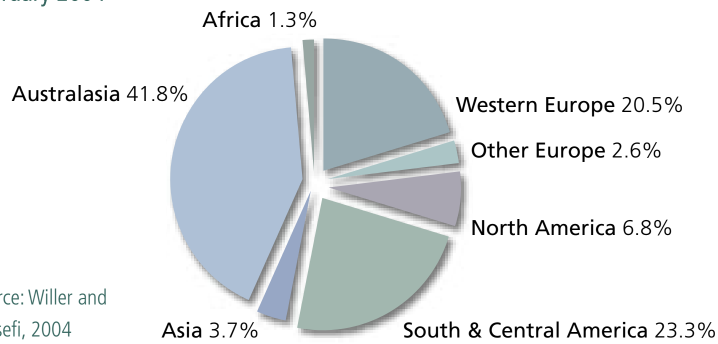
Switzerland is the global champion in terms of organic consumption with an average annual spend of £69 per person of the total population. The market continues to grow, especially for meat products, although there are some oversupply problems with apples and milk.

Austria has a high share of organic land area, at nearly 13 per cent of total agricultural land area. The market growth of 11 per cent in 2003 followed a period of stagnation and decline, illustrating that growth can take place in 'mature' markets.

EU enlargement brings hopes and fears

Approximately 10 per cent of the total organic land and five per cent of organic holdings are located in the new member states that joined the EU on 1 May 2004. This has raised concern in some original member states of increasing competition from imports of grain, fruit and fruit preparations. But while the land area in some new EU member states – such as Poland, Estonia, Lithuania and Hungary – increased by more than 10 per cent, these markets may grow faster than the local production and processing capacity, opening opportunities for imports.

Figure 1 Breakdown of organic farm land by geographic area, February 2004



Source: Willer and Yussefi, 2004

[6] Market includes the enlarged EU (25 countries) and European Free Trade Area (EFTA). Euro values and national currency values were converted at the current exchange rate of €1.49 per £1.
[7] Official statistics on organic land and numbers of farms were not available for all countries at the time of going to print.

03 Policy developments in the UK

During 2003/04, significant progress was made in building a policy environment to support continued market growth in the UK:

- **Public sector catering** - organic food features prominently in government plans to supply hospitals and schools, fuelled by the Soil Association *Food for Life* report and alarm over obesity
- **Support for farmers** – for the first time, ongoing payments will be available at a decent level in England and Wales from 2005, narrowing the gap between the support level in the UK and the rest of Europe
- **The threat of GMOs** – GM herbicide tolerant beet and oilseed rape crops were prohibited by the government, and GM Chardon LL maize was withdrawn by its manufacturer.

3.1 Public sector catering

The UK government has always argued that the organic food and farming sector should be led by the market. In line with this, it is now making moves to support a shift in the £2 billion market for public sector food procurement so that it reflects the government's own objective for sustainability. This includes food served in schools, hospitals, the armed forces, prisons and government canteens. Organic food was a key part of the government's Public Sector Food Procurement Initiative, launched in August 2003 to improve the environmental and health impacts of food sourcing. In Wales, organic food is supported by the Welsh Assembly's *Food for Thought* document, launched at the Royal Welsh Agricultural Show in July 2004.

In October 2003 the Soil Association published *Food For Life*, a report on the disastrous decline in school meal quality. On average only 35 pence per child is now spent on primary school meals. Convenience produce with little nutritional value, such as shaped 'nuggets' high in fat and added salt, has replaced the cooking of fresh, unprocessed food. The report provides a blueprint for change that includes using more unprocessed, local and organic food, educational links with local farms, and improvements in school dining environments. Prior to this, the Scottish Executive had published *Hungry for Success* which called for the same nutritional standards endorsed by the Soil Association, as well as pledging £63.5 million to improve child health and nutrition.

This Soil Association report, coupled with public alarm about the rise in child obesity, triggered a huge response. Health minister Melanie Johnson announced a £2.2 million Food in Schools programme to tackle child obesity by piloting eight projects in 500 English schools from early 2004. Most inspiringly, local education authorities, schools and parents throughout the country are taking action to start sourcing local organic food.

3.2 Government support for organic farmers

Agricultural policy developments have increasingly favoured organic management in recognition of the environmental benefits of organic farming.

In June 2003, the government announced the first ongoing payments for organic farmers in England under the Organic Farming Scheme (OFS). Although welcome, at a value of only £5 to £30 per hectare the payments were low in comparison with other European countries and uptake was low. In Wales, the long-awaited ongoing payments were opened for applications from organic farmers in March 2004: the payment rates for years four and five of the OFS in Wales were raised and can now be extended for a further five years. Scotland's new Organic Aid Scheme (OAS) came into force in May 2004. Farmers are eligible for discretionary ongoing payments worth £14 to £30 per hectare on arable land and improved grassland and a flat payment of £500 per year for any rough grazing. Rates for conversion payments have been changed to encourage the conversion of arable and horticultural land. Producers can also claim towards the cost of preparing organic conversion plans and other key capital costs, such as building or restoring ditches and fencing. In Scotland, the OAS is competitive and based on a point ranking system, but in England and Wales there is open access to OFS funds. In Northern Ireland, organic

[8] Read the full document at www.europa.eu.int/comm/agriculture/qual/organic/plan/index_en.htm
[9] Estimates by Professor Ulrich Hamm, see www.SOEL.de/oeklandbau/deutschland_ueber.html

and in-conversion farmers can now take advantage of a scheme, running from December 2003 to March 2005, to assist farmers with the conversion of animal housing to organic standards. Interest is strong and £1.2 million of the £2 million funding available was committed by August 2004.

As a result of long-term lobbying led by the Soil Association, Defra announced the Organic Entry Level Stewardship (OELS) payments as part of a new agri-environment scheme. This will be available in England from 2005 as part of the English Rural Development Programme review and will replace the OFS. It will provide, for the first time, a significant level of ongoing payments for organic farmers in England. At £60 per hectare, this is double the amount that non-organic farmers will receive from Entry Level Stewardship. Additional payments will be available for the first two years of conversion. The OELS payments are in recognition of the proven environmental benefits that organic farming provides, and are a welcome financial boost for farmers in England. This kind of support represents an excellent deal for the public: Defra's own calculations show that organic farms actually deliver at least £130 per hectare of 'public goods'. The Welsh entry level agri-environment scheme, Tir Cynnal, opens in May 2005, and will be open to organic farmers in addition to their OFS or ongoing payments. In Scotland, additional support may be available through the Land Management Contract scheme. An Entry Level Countryside Management Scheme should open in Northern Ireland during 2004/05. However, it will not include an organic farming strand.

3.3 *The threat of GMOs*

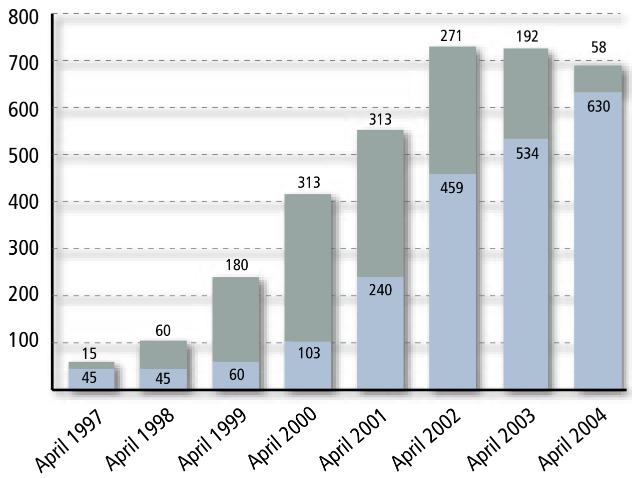
2003/04 has seen a series of positive developments regarding genetically modified (GM) crops. In March 2004, the government announced that GM herbicide tolerant (HT) beet and oilseed rape crops will be prohibited in the UK, following environmental concerns highlighted by farm-scale trials (FSEs). GM HT maize was permitted, but only on the condition that GM farmers comply with a statutory code of practice and that any compensation for contamination is 'funded by the GM sector'. Shortly afterwards, Bayer CropScience announced that it was withdrawing its Chardon LL maize variety, the only GM crop that would have been grown in the UK.

Despite the immediate threat of GM crops receding, the UK government still intends to develop a 'co-existence' regime to control contamination in non-GM crops. A key issue for the organic movement is whether the regime will be designed to keep contamination under 0.9 per cent – the EU's GM labelling threshold – or 0.1 per cent – the limit of detection for GMOs.

There are also concerns over who will bear the costs and liability for contamination.

The Soil Association has recommended that, at least for organic farmers, the coexistence regimes must be designed around the 0.1 per cent threshold.

Figure 2 Growth of organically managed land in the UK, April 1997 to April 2004 (thousand hectares)



Source: Organic certification bodies, 2004

Table 1 Organically managed land in the UK, April 2002 to April 2004

	April 2002		April 2003		April 2004		
	hectares	% of total UK organic land	hectares	% of total UK organic land	hectares	% of total UK organic land	Annual change %
In-conversion (yr 1)	158,200	21.7	47,700	6.6	21,596	3.1	-54.7
In-conversion (yr 2)	112,750	15.5	144,400	19.9	36,478	5.3	-74.7
In-conversion (total)	270,900	37.1	192,100	26.4	58,074	8.4	-69.8
Organic	458,650	62.9	534,300	73.6	630,299	91.6	18.0
Total organically managed land	729,550		726,400		688,373		-5.2

Source: Organic certification bodies, 2004

The area of fully organic land in the UK grew by 18 per cent in 2003/04, making more UK organic food available to consumers than ever before

04 Organic farming in the UK

By April 2004, 688,373 ha of land were managed to organic standards in the UK, representing four per cent of the total agricultural land area (Table 1). Of this, some 630,299 ha – or 92 per cent – were fully organic, with the remaining 58,074 ha in-conversion to organic management. Organic land is certified by 10 organic certification bodies registered in the UK.[10]

4.1 Organic land area

The area of organic land has continued to grow – increasing by over 1,000 per cent since April 1997 when just 60,000 ha was managed organically (Figure 2). During 2003/04 the area of fully organic land grew significantly, increasing by 18 per cent. However, the total area of organically managed land – incorporating fully organic and in-conversion land – fell by five per cent from 726,400 ha in April 2003 to 688,373 ha in April 2004.

The 70 per cent reduction of in-conversion land is primarily due to much land achieving full organic status and a decline in new land coming into conversion. However, the overall decline in organically managed land highlights the fact that while more producers are converting to organic production, a number of organic farms have deregistered and taken their land out of organic management. Most of this land comes from extensive farms, particularly in Scotland, which had reached the end of their five-year Organic Aid Scheme payments. When combined, these deregistered farms comprise a significant area of organic land. However, the low-output nature of these farms meant that

[10] For a full list of organic certification bodies visit www.defra.gov.uk/farm/organic

their contribution to the overall organic farm-gate value was relatively low. Furthermore, the area of organically managed land in England, Wales and Northern Ireland continues to expand encouragingly (Table 3). The vast majority of producers contributing most of the UK's organic production are expected to remain in organic management in 2004/05.

4.2 Organic producers

By April 2004, 3,995 holdings were registered as organic or in-conversion in the UK, a slight decrease of 2.7 per cent from 4,104 in April 2003 (Figure 3). Organic holdings represent 1.3 per cent of all agricultural holdings in the UK.

A number of farms have withdrawn from organic management in the past year, either reverting to non-organic management or leaving farming altogether and there is evidence of amalgamation among existing organic units. Indeed, organic farmers are far from immune to the pressures of rationalisation, commodification and globalisation which afflict UK agriculture as a whole. Nonetheless, new farmers and growers continue to adopt organic methods year after year. The underlying trend towards organic farming in the UK is highlighted by the four-fold increase in producers choosing organic methods since April 1997, when there were just over 800 registered organic producers.

Table 2 Fully organic farmed area by enterprise, April 2002 to April 2004

	April 2002		April 2003		April 2004		Annual change 2003/04 (%)	% total agricultural land[1]
	Land area (ha)	% fully organic land)	Land area (ha)	% fully organic land)	Land area (ha)	% fully organic land)		
Grassland	424,266	92.5	469,499	87.9	560,874	89.0	19	5.0
Horticulture	6,334	1.4	7,084	1.3	7,377	1.2	4	2.4
Arable[2]	26,400	5.8	44,413	8.3	48,494	7.7	9	1.0
Woodland	1,600	0.3	4,923	0.9	4,186	0.7	-15	0.8
Fodder, silage and other crops			8,348	1.6	5,826	0.9	-30	1.4
Unknown					3,541	0.6		1.2
UK Total	458,600		534,267		630,299		18.0	3.7

[1] Fully organic land as a proportion of the total UK agricultural land for each enterprise type.

[2] 'Arable' includes cereals, set aside and field peas and beans for fodder.

Source: Organic certification bodies, 2004 and Defra, 2004

4.3 Primary production

Grassland continues to represent most of the total UK organic land area at nearly 90 per cent or 560,874 ha (Table 2). Since April 2003, the area of permanent pasture has grown by one quarter to 483,905 ha, while the area of temporary leys declined by eight per cent. However, 2003/04 saw a welcome rise in both arable and horticultural production, which grew by nine per cent and four per cent, respectively.

Notably, grassland accounts for a much smaller proportion of the total UK agricultural land area (including organic and non-organic) at 65 per cent. Cropped land continues to be under-represented in organic agriculture at just 10 per cent of all organic land, compared to the 32 per cent it represents of total UK agricultural land. And while arable land accounts for 28 per cent of total UK agriculture, just eight per cent of fully organic land is under arable production. The continuing expansion of organic arable and horticultural land will hopefully contribute to a more mixed farming system in the future.

Horticulture

The technical competence of UK organic growers continues to improve, with reports of better quality fruit, vegetables and salad crops in 2003/04. Organic horticulture expanded by four per cent from 7,084 ha in April 2003 to 7,377 ha in April 2004, accounting for 2.4 per cent of total UK horticultural land (Table 2).

A number of small and medium-scale growers supplying some supermarkets have found it increasingly difficult to remain profitable due to decreasing returns. Furthermore, supermarkets continue to rationalise their supplier base to save costs. Some of the newest organic growers are existing supermarket suppliers that have, at the request of some multiple retailers, converted or rented organic land simply to supply these retailers. This is having major ramifications for some producers lacking the economies of scale needed to meet supermarket specifications.

Smaller horticulture businesses face other key challenges, such as the lack of producer co-operation and availability of labour. Indeed, co-operation or specialisation look set to become prerequisites for survival. Growers are increasingly looking to alternative markets, such as direct sales, public procurement and catering, which all offer real growth potential. More and more growers are benefiting from co-operative marketing structures which ensure improved economies of scale and greater price and volume stability, particularly when selling direct to the consumer. Some box schemes have reported an annual growth of over 30 per cent. In conjunction with the Henry Doubleday Research Association (HDRA), the Soil Association conducts an annual survey of the organic vegetable market.[11]

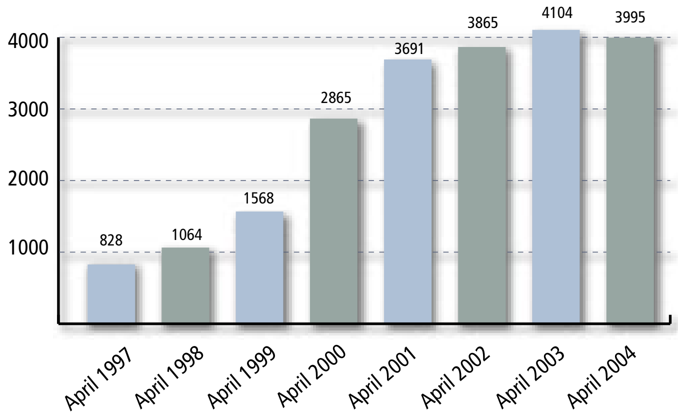


Figure 3 Number of registered organic producers in the UK, April 1997 to April 2004

Source: Organic certification bodies, 2004

Arable

Organic arable production grew by over nine per cent from 44,413 ha in April 2003 to 48,494 ha in April 2004 – a healthier growth rate than in 2002/03. There were significant increases in the areas devoted to oats (20 per cent), wheat (11 per cent) and rye (21 per cent) during 2003/04.[11]

The record-breaking dry growing season in spring 2003 undoubtedly had the greatest influence on organic grain crops and markets in 2003/04. The damaging impact of the dry weather was less significant in northern Europe, allowing UK producers to benefit from easier harvests. Demand for organic grain continues to rise in the UK, and farmers have increased production in response. Prices were bolstered by concerns over the prospect of limited supply.

Organic feed and milling wheat accounted for around two thirds of all organic cereals used by processors, covering 16,027 ha in April 2004. The area of organic feed beans and peas also increased by 28 per cent to 7,271 ha in April 2004. Stocks of feed grain were reasonably balanced ahead of the 2004 harvest, with the exception of oats which suffered from a Europe-wide oversupply.

The trend away from import-reliance seen in 2003/04 was encouraging: up to 50 per cent of UK organic grain demand was satisfied by domestic supplies, compared to around 45 per cent by value in 2002/03.

Meat and fish

Production of UK organic livestock and fish has continued to expand during 2003/04 to meet the growing demand for UK organic meat products. However, the pace of growth has varied between livestock enterprises. Detailed statistics on farm-gate production and imports of meats can be found on the *Organic Food & Farming Report 2004 Enhanced CD-ROM.*

Pigs – Supermarkets are responsible for the sale of more than 70 per cent of organic pig meat. The problems associated with imports and slower than expected demand in 2002/03 continued into 2003/04.

Some supermarkets are still importing significant amounts of pig meat, particularly pork from Germany and bacon from Holland. The Soil Association's Supermarket Survey (November to December 2003) revealed that one retailer was importing over three quarters of its organic pork, demonstrating the opportunities for future increases in UK organic pig production. Increasing numbers of producers are looking at the improved margins offered by direct sales.

The derogation allowing certain European countries to rear non-organic weaners on organic feed still exists, making imports cheaper – and potentially more attractive – to some UK retailers. Work must continue to educate consumers about the differences between UK and EU organic pork standards. New product development will also help the market.

Lamb – The price for lamb followed its usual cycle, with higher prices when UK seasonal production was at its lowest at the start of the year. However, seasonal price fluctuations have levelled somewhat resulting in a reduced incentive for lamb producers to finish lamb out of season, as prices fail to cover the additional costs needed to ensure year-round supply. Cheaper imports continued between March and June, mainly from New Zealand. This seasonal reliance on imports would decrease if supermarkets and processors gave more contracts to UK suppliers with prices reflecting the higher cost of production out of season. This could be achieved

The arable section was contributed by **Organic Grain Link** – a project designed to help organic arable farmers produce and market crops effectively and profitably. For more information call 01787 210966 or visit www.organicgrainlink.co.uk

[11] More information, including a breakdown of crop types, can be found in the *Organic Food & Farming Report 2004 Enhanced CD-ROM.*

by greater collaboration between marketing groups, processors and supermarkets, as well as improved market intelligence.

Such collaboration could also help to highlight marketing opportunities such as the one missed in early 2003, when the farm-gate price for non-organic spring lamb exceeded the price paid for organic lamb. But unfortunately this did not translate into a competitive organic price in store to attract more consumers to try the organic product. The similar price paid for organic and non-organic lamb in early 2004 meant that some organic producers sold lamb as non-organic.

The light lamb market again operated from autumn 2003 to January 2004, providing a useful outlet for breeds that finish at a light weight. However, takeovers between multiple retailers meant that this market is now unavailable.

The Scottish Agricultural College has appointed a market link co-ordinator to improve the flow of information on product supply and market demand and to strengthen links between organic producer groups in Scotland.

Beef – Beef prices remained stable in 2003/04, as in the previous year. Changes in the relationship between processors and multiple retailers have led to higher prices for beef in some cases. However, changes in the required specifications have meant that not all producers can access the higher price. Heavier carcass specifications do not suit many native breeds, risking a move towards continental breeds. This is potentially at odds with organic farming principles and consumers' expectations of organic beef.

Imports of organic beef continue even though UK production can probably meet the required quantity and quality. Some processors and retailers continue to favour imports, setting their price for UK beef at the lower import level.

If the Over Thirty Months Scheme (OTMS) ceases in 2004/05, this should help UK organic beef producers as cattle will not require finishing before 30 months.

Although the final decision on whether to extend the derogation allowing the use of non-organic feed is yet to be made in the UK, some European certification bodies already require 100 per cent organic feed for ruminants.

Table poultry – Organic chicken has been the key growth area in organic livestock, with production expanding more rapidly than red meat in 2003/04. Increasing consumer awareness of the negative health and animal welfare aspects of intensive poultry production have fuelled this growth. Despite relatively little promotion by multiple retailers, some processors have struggled to keep up with demand, indicating a significant latent market for organic poultry.

Available data indicates that almost no organic chicken is being imported, demonstrating that UK producers can meet demand, or that demand is restricted by supply. It is likely that organic poultry will continue to be the fastest growing area of organic livestock in 2004/05 as processors look for new producers. Reports from direct and independent retailers indicate a shortage of medium-scale production for local markets where there is significant demand.

Fish – In 2003/04, organic aquaculture production experienced further growth, topping 3,400 tonnes with an estimated farm-gate value of £8.5 million, driven mainly by organic salmon production. Although the health benefits of eating fish are now widely recognised, health concerns emerged recently about intensively farmed fish. As a result, more consumers are keen to try the organic option, although there is a lack of consumer clarity about the merits of buying organic. Communicating the health, environmental and animal welfare benefits is key to developing the market in the future.

UK organic salmon production reached 3,117 tonnes in 2003/04, representing an estimated farm-gate value of £7.6 million.

However, oversupply led to a significant reduction in the price paid to producers from £3.50/kg in 2002/03 to £2.44/kg in 2003/04. The market is maturing and appears to be stabilising, with more modest and sustainable growth predicted for 2004/05. Organic trout production (rainbow and brown) grew at a slower rate, six per cent, reaching 318 tonnes in 2003/04. The farm-gate value also rose by three per cent to £0.927 million, with farm-gate prices falling from £3/kg to £2.92/kg.

Dairy

The rapid expansion of organic dairy production in the late 1990s created numerous problems associated with oversupply. Many organic dairy farmers faced significant reductions in price, and up to

38 per cent of organic milk was sold into non-organic markets.

Demand for organic dairy products is still growing, whereas the non-organic market is static. Data from the Federation of Milk Groups (FMG) in spring 2004 indicates that the supply of organic milk from UK farms has reached a plateau and is likely to decrease over the next three years. Coupled with projections of strong growth in consumer demand, this is likely to mean that it will not be long before the supply-demand imbalance is ironed out.

The relatively small number of producers who process their own milk, either individually or as part of a local group, tend to receive the best returns. For example, the Trioni/Three Farms Dairy in Wales has successfully marketed its regionally produced and labelled flavoured milk to local schools and shops as well as the whole UK. Regional labelling and on-farm processing have also proven successful for West Hill Farm in Devon and Acorn Dairy in County Durham, both of which sell a range of dairy products locally. However, the majority who are dependent on the bulk liquid milk market continue to find a proportion of their milk is sold as non-organic.

The Calon Wen Organic Milk Co-operative has reported a significant increase in interest for regionally branded dairy products in Wales, reflecting research that indicates that 80 per cent of organic consumers in Wales would be more likely to buy organic products from Wales.[12] However, the key barrier to market development remains distribution in areas with low population densities. In 2004/05, Calon Wen will be distributing its products jointly with Rachel's Organic Dairy and Cambrian Organics, a livestock marketing group. Co-operation of this kind can help businesses cut logistical costs and food miles, whilst offering a wider range of organic products to the consumer.

Eggs

Sales of organic eggs have seen some limited growth in 2003/04. However, they continue to outperform non-organic sales. The marketplace continues to be characterised by problems surrounding different standards for organic egg production, particularly in relation to stocking densities. This fosters confusion among consumers over the differences between organic and 'free range', as well as within the organic egg sector itself. Clarifying these differences and promoting the benefits of higher standards will help to overcome this barrier to market expansion. This confusion is exacerbated by ongoing resistance from some multiple retailers to stocking eggs from systems with higher animal welfare standards on the basis that additional costs would limit sales.

4.4 National and regional developments

England

In April 2004, just over one third of UK organically managed land – 251,555 ha – was in England, accounting for 2.7 per cent of total agricultural land (Table 3). Sixty three per cent of UK organic producers are based in England, with 2,505 in April 2004. The area of fully organic land rose by 16 per cent to 219,081 ha, from 188,339 ha in April 2003. In common with the rest of the UK, in-conversion land in England decreased by 47 per cent during the same period, while the total area of organically managed land rose marginally.

South west England has the largest concentration of organic producers, with 25 per cent of the UK total (990).

The growing network of Soil Association regional centres continued to bring organic producers, businesses and consumers together during 2003/04. Organic South West (OSW), active in Cornwall, reported a significant increase in conversion enquiries following a successful Royal Cornwall Show. OSW has worked with six local schools to meet *Food for Life* targets. The Yorkshire Organic Centre (YOC) has facilitated a new red meat supply chain in response to demand from St Aidan's School in Harrogate and is currently working to increase processing facilities for organic poultry in response to local demand. Organic farmers and businesses in Cheshire, Cumbria and Lancashire can now take advantage of the Northwest Organic Centre. Launched in June 2004 with Northwest Development Agency funding, this new service will expand the north west organic food and farming sector by offering technical and marketing advice, and training. In addition, an organic development programme started in north east England (County Durham and Northumberland) in mid-2004 funded by the Defra Rural Enterprise Scheme (RES).

12 *Organic Food: Understanding the consumer and increasing sales.* Soil Association, Welsh Development Agency and Organic Centre Wales. 2004

This means that there are Soil Association-led organic development projects running across the entire north of England.

Scotland

Most of the UK's organically managed land (55 per cent) is found in Scotland, with 373,249 ha across 695 farms. Scotland also has the highest proportion of organic land in relation to total agricultural production at 6.8 per cent, compared to 4.0 per cent for the UK as a whole (Table 3). However, the total organic land area in Scotland fell by 10 per cent as a result of the withdrawal of a number of large hill farms when they reached the end of their five-year Organic Aid Scheme payments. The area of fully organic land in Scotland now stands at 356,725 ha.

New developments in 2003/04 included the establishment of the Scottish Food & Drink Organic Project to help organic farmers and growers exploit key market opportunities. In the last 12 months it has launched an organic zone on the Scottish Food & Drink website[13] and supported marketing events. It also funded case studies on Community Supported Agriculture and two Food for Life projects to help schools serve organic lunches.

Based in Edinburgh, Soil Association Scotland provides technical support to organic farmers, as well as policy and consumer issues. During 2003/04 it ran a programme of events for farmers, and helped close gaps in the supply chain by supporting abattoirs and meat packers through the process of certification. Soil Association Scotland is also an active participant in the Scottish Executive Environment and Rural Affairs Department's Organic Stakeholder Group, and has contributed to consultations on CAP reform on behalf of organic farmers.

Wales

A total of 613 organic holdings covered 3.9 per cent of Welsh agricultural land in April 2004, contributing to the Second Organic Action Plan for Wales target of 10 per cent organic land by 2010. The organically managed land area in Wales grew by six per cent, from 54,306 ha in April 2003 to 57,361 ha in April 2004 (Table 3). This is encouraging as it reverses the trend in 2002/03, which saw a 6.5 per cent reduction in organic land.

Organic Centre Wales (OCW), based at the University of Wales, Aberystwyth, was established in 2000 as a focal point for information and policy lobbying on organic food and farming. Recent achievements include supporting the development of a network of 17 demonstration farms with visits from around 50 schools in 2004. OCW also co-ordinates Organic Conversion Information Service enquiries and delivers additional services through Farming Connect. These include knowledge transfer, technical events, market intelligence and the first in-depth study of the Welsh organic horticulture market.[14]

Northern Ireland

During 2003/04 renewed interest developed in organic production in Northern Ireland, following a two-year period during which there was virtually no growth in production. In April 2004, 6,209 ha were managed to organic standards across 154 farms, accounting for 0.6 per cent of the total agricultural land in Northern Ireland (Table 3). This represents a growth of over six per cent from April 2003. An even greater expansion in fully organic land occurred, which reached just under 5,000 ha – an annual growth of 15 per cent.

During 2003/04, the number of requests for information from the Organic

Table 3 National distribution of organically managed land in the UK, April 2002 to April 2004

	April 2002 (ha)	April 2003 (ha)	April 2004 (ha)	Annual change 2003/04 %	Proportion of total UK organic/ in-conversion land %[1]	Total agricultural land[2]
England	**251,300**	**249,318**	**251,555**	0.9	36.5	2.7
In-conversion	101,300	60,979	32,474	-46.7	55.9	0.4
Organic	150,000	188,339	219,081	16.3	34.8	2.4
Wales	**58,100**	**54,306**	**57,361**	5.6	8.3	3.9
In-conversion	21,100	12,925	7,815	-39.5	13.5	0.5
Organic	37,000	41,381	49,546	19.7	7.9	3.4
Scotland	**415,500**	**416,880**	**373,249**	-10.5	54.2	6.8
In-conversion	145,500	116,639	16,523	-85.8	28.5	0.3
Organic	270,000	300,240	356,725	18.8	56.6	6.5
N. Ireland	**4,650**	**5,854**	**6,209**	6.1	0.9	0.6
In-conversion	3,000	1,547	1,262	-18.4	2.2	0.1
Organic	1,650	4,307	4,947	14.9	0.8	0.5
UK total organically managed land	729,550	726,357	688,373	-5.2	100.0	4.0
UK in-conversion land	270,900	192,090	58,074	-69.8	8.4	0.3
UK organic land	458,650	534,267	630,299	18.0	91.6	3.7

[1] The organic, in-conversion and organically managed land in each country as a proportion of the total UK organic, in-conversion and organically managed land respectively. [2] Organic and in-conversion land as a proportion of the total agricultural land in each country. Source: Organic certification bodies and Defra, 2004

[13] www.scottishfoodanddrink.com [14] *Improving Market Intelligence for Organic Horticulture in Wales*. Haward, R and Green, M. Organic Centre Wales, February 2004

Conversion Information Service (OCIS) increased by 70 per cent. Department of Agriculture and Rural Development (DARD) organic advisers continue to provide support to organic farmers, and those considering conversion.

Sales of some organic products show steady growth and a number of producer groups are working to develop the market through contracts with processors and via direct sales. However, the internal organic market remains under-developed.

05 Organic retail sales in the UK

Last year's *Organic Food & Farming Report* heralded a landmark year for the organic movement – when sales in the UK topped £1 billion for the first time. This year has been another year of dynamic growth, with sales up by 10.2 per cent in 2003/04, from £1.015 billion to an estimated £1.119 billion (Figure 4). **This represents a growth of just under £2 million a week.** In a decade of sustained growth, sales have increased ten-fold since 1993/94. Organic food and drink now accounts for 1.2 per cent of the total retail market.

5.1 Imports

Despite the continued growth of the organic market, increasing consumer awareness and recognition of the environmental benefits of organic farming, little progress has been made towards import substitution during 2003/04. There is no firm evidence to indicate a change in the overall level of imports, which remains at an estimated 56 per cent (Table 4). Read more about imports of indigenous food, including a breakdown of meat products, in the *Organic Food & Farming Report 2004 Enhanced CD-ROM*.

It is essential that the government and other key stakeholders allocate more resources to support the gathering of organic market intelligience and to fund initiatives which encourage import substitution in 2004/05.

The high proportion of imports for certain categories, particularly fruit, vegetables and salad crops (76 per cent), is partly due to consumer demand for high value out-of-season produce, such as bananas and exotic fruit. Markets for these products are important as they offer producers in developing countries the opportunity to adopt agricultural practices that are environmentally, socially and economically sustainable – see 'International certification in focus'.

The success of the spring wheat harvest in 2003/04 means that there is more UK organic wheat available for milling purposes, at between 30 to 35 per cent of bread and baked products. However, large volumes of some organic foods are still being imported unnecessarily. For instance, improved data quality indicates around 25 per cent of organic meat is imported, as well as in-season vegetables which can be produced in the UK. This issue was highlighted by the Soil Association Supermarket Survey of various in-season organic products conducted during November and December 2003.[15] The survey suggested that some progress had been made by all of the leading retailers towards reducing imports for certain products. However, continuing work is needed to increase UK supply.

5.2 Ethical Trade

In January 2003, Soil Association Certification Ltd (SA Cert) launched its Ethical Trade Standards. These standards define criteria for fair and equitable trading and employment relationships throughout the organic supply chain. Companies that choose to certify their products to the Soil Association's Ethical Trade Standards offer their customers a choice. A new variation of the Soil Association symbol communicates that the brand-owner and its suppliers have demonstrated that they:

- Operate **fair employment practices** for all staff
- Operate **fair trading practices**, based on sound and sustainable trading relationships
- Play an active role in **enhancing the social and cultural life of their communities**.

SOIL ASSOCIATION · ORGANIC STANDARD · ETHICAL TRADE

[15] The Supermarket Survey results were published in *Living Earth*, Spring 2004. Read the full article at www.soilassociation.org/supermarketsurvey

Table 4 Estimated imports of organic food and drink retail sales in the UK, 2002/03 to 2003/04 (per cent by value)

	2002/03	2003/04
Baby foods	80	80
Bread and baked	70	65–70
Beverages	90	90
Meat and fish	20	25
Dairy and eggs	5	5
Fruit, vegetables and salad crops	76	76
Other*	70	70
Total imports	56	56

* Includes cereals, sauces, ready meals, snack foods, wholefoods.
Source: Soil Association, 2004

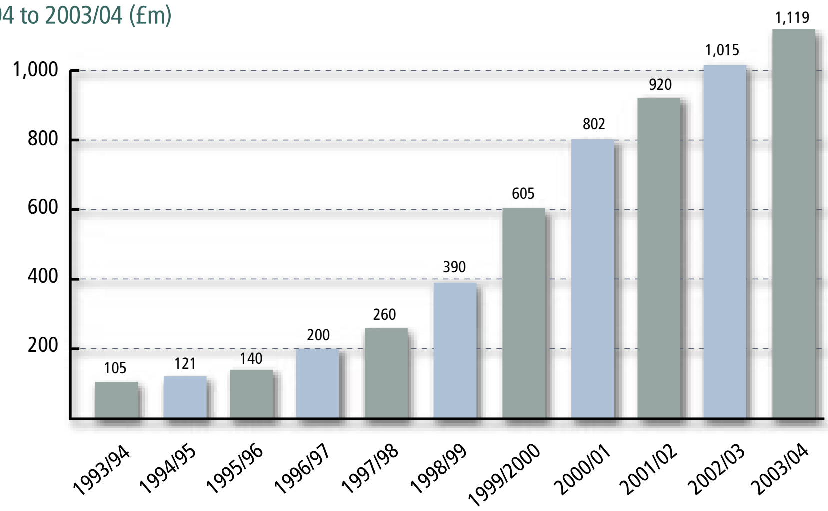
Since January 2004, the Soil Association has piloted the Ethical Trade Standards with a small group of companies that produce and pack organic primary products, including cereals, meat, dairy products and fruit and vegetables. The first company to carry the new Soil Association organic and ethical trade symbol was Doves Farm with its organic Bio Biz cereal, launched at the end of April 2004 and, more recently, its plain flour.

By spring 2005, Ethical Trade certification should be available to more organic businesses, allowing more products to carry the new symbol. Communicating the benefits of organic products bearing the combined organic and ethical trade symbol to consumers will be a key future objective. As increasing numbers of consumers become aware of the way unfair trading practises affect UK producers, they will be able to look for an alternative – the Soil Association's Ethical Trade symbol on their food.

5.3 Organic sales through different outlets

Supermarkets continue to dominate organic sales in the UK, accounting for 80 per cent of all organic retail sales (Table 5). However, there continues to be strong growth in sales direct from the farm to the consumer (16 per cent) which have increased as a proportion of total sales to 10 per cent. ADAS research indicates that 47 per cent of organic farmers are likely to sell direct to the consumer, compared to 19 per cent of non-organic farmers.[16]

Figure 4 Growth in retail sales of organic food and drink in the UK, 1993/94 to 2003/04 (£m)



Source: Soil Association, 2004

Supermarkets

Organic sales through supermarkets rose by 10 per cent, from £821 million in 2002/03 to £899 million in 2003/04. Growth in organic sales varied from retailer to retailer, and between different product categories. Lines of regional organic food have been introduced by a number of supermarkets.

The key challenges faced by companies supplying to supermarkets include downward price pressure, meeting the demands of aesthetic specifications and consolidation of the supply base as retailers opt for fewer, larger suppliers under the system of 'category management'.

The take-over of Safeway by Morrisons and the continuing battle between some of the large supermarkets to offer the lowest price to consumers looks set to put the margins for those supplying the multiple retail market under greater pressure. Declining returns, and the experiences of some growers who have found up to 50 per cent of their crops being rejected on 'aesthetic' grounds, make it increasingly difficult for small and medium suppliers to remain financially viable. As a consequence, many businesses have chosen to market co-operatively or sell via alternative outlets.

The Co-operative Group is increasing its focus on smaller convenience stores, reducing the opportunity for increased organic ranges as consumer support and store size are limiting factors. The chain is seeking to attract more organic customers through wider communications strategies.

Marks & Spencer's organic sales have been augmented by a focus on targeting stores with a strong organic customer base. The chain has seen greatest progress on lines where full 52 week availability is a challenge.

Sainsbury's was awarded the Soil Association Organic Supermarket of the Year for 2004, and now sources 65 per cent of organic food and drink from the UK – a rise from 58 per cent in 2002. In 2003/04, Sainsbury's promoted consumer awareness with a range of leaflets and traceability websites for selected products. Around 46,000 consumers sampled organic food in stores during the 'Organic Taste Experience' roadshow.

Tesco have reported strong growth in organic sales. Marketing strategies have included in-store events including organic

[16] Farmers' Voice *2004 Summary Report: Organic Farming*, ADAS Consulting Ltd. July 2004.

tastings and promotions, as well as direct mailings which mean that 250,000 organic customers now receive recipes, information and money-off tokens.

Waitrose reported another solid year of growth in 2003/04 for organic foods, including a high percentage from UK producers. The quality of several fresh produce lines improved during the year following better crop management and strategies to expand the growing season. Wine from organically grown grapes performed well, as did organic chicken and eggs.

Local food – direct from the producer

Producers opting to sell direct to the consumer were once considered an insignificant minority. However, their belief in and commitment to developing a local market has paid off: during 2003/04 direct sales of organic food increased from £93.3 million to an estimated £108 million (Table 5). This rise of 16 per cent represents a faster growth rate than any other retail outlet – including the supermarkets.

Increasing numbers of consumers are choosing fresh organic food direct from farmers' markets, farm shops, box schemes and mail order services. The number of organic producers selling produce directly increased dramatically in 2003/04, demonstrated by a 30 per cent growth in the number of farms setting up on-farm processing units. The number of farmers' markets also increased from 450 to just under 500, while the number of box schemes and home delivery services

Why buy local food?

- Greater access to fresh seasonal produce, resulting in healthier diets
- A fairer return for farmers and growers with more control retained by the producer
- Sustainable growth for local economies
- Stronger links between producers and the community
- Reduction in environmental pollution from food miles and packaging.

International certification in focus

Imported organic produce has played an important role in meeting the growing demand of UK consumers for organic food over the past decade. And, of course, many popular products such as tea, coffee, chocolate and bananas cannot be produced in temperate climates. The need for international certification has increased, demonstrated by Soil Association Certification Ltd (SA Cert) which now operates in some 35 countries worldwide.

Many developing nations do not have legislation to protect growers and their workers when using agrochemicals, some of which remain in use after being banned in developed countries. Conversion to organic methods provides real value for farmers and growers in these countries. Important revenue from export markets is being derived from organic production in economies which are reliant on agricultural products.

International certification ranges from wildcrafting group certification for berries in Bulgaria and Devil's Claw in Namibia, to individual companies producing fruit in Pakistan, South Africa and Ghana, cocoa production in Belize and Guyana, and tea production in Kenya. Technical support also includes assisting countries to develop their own capacity for domestic organic certification, including recent feasibility projects looking at smallholder organic tea production in India and China.

increased to around 500, compared to 471 in the previous year. The number of new box schemes has slowed in line with fewer growers converting to organic. However, existing box schemes have experienced a phenomenal growth in sales of over 20 per cent in 2003/04.

Many small and medium producers continue to sell direct by creating a loyal market for high quality, locally distinctive produce. Prime examples include Providence Farm in Devon, Growing with Nature in Lancashire and Manor Farm in Dorset. Farmer co-operation is another successful approach. For example, Graig Farm in Powys and Eostre Organics in Norfolk are developing a range of new markets, including schools, hospitals and restaurant supplies, by ensuring a consistent and wide range of supply through sourcing from a number of producers. Many larger organic producers who sell to supermarkets are also investing substantial resources into local markets by establishing successful farm shops and box schemes.

The relatively new concept of Community Supported Agriculture (CSA), where communities become actively involved in local farms and food production, has now become widely recognised within the local food sector. Last year saw the results of the second year of the Cultivating Communities project, with the development of three new CSA initiatives and a further 32 projects receiving support.

Public procurement

The government has recently turned its attention to public procurement as a potential new market for local and organic produce. Just over £2 billion is spent on food and catering services by the public sector in the UK. If organic food and drink were to have a similar share of the public procurement market as it does of the retail market (1.2 per cent), this would result in an estimated £25 million growth in total organic sales in the UK.

However, the potential share of the public procurement market for organic food is unclear. Many buyers remain concerned about consistency of supply, cost and distribution. Co-operation between producers and throughout the supply chain is key to accessing high-volume alternative markets like the public sector. The Soil Association's Local Food Links team has sought to develop this market by raising awareness in schools and hospitals and working with producers to supply to the public sector.

Food for Life pilot projects (see Section 3.1) are underway in schools in Shropshire, Cornwall and Burnley, where local and organic food is being sourced. The Yorkshire Organic Centre has developed a supply chain for organic beef in local restaurants and a local high school. Eostre Organics, a Norfolk-based producer co-operative, is supplying six primary schools and one hospital in East Anglia and London. In Essex, Ashlyns Organic Farm has established a scheme to supply 10 local schools with local and organic produce. In spring 2004 the Soil Association and London Food Link launched a project in four London hospitals with the aim of increasing the proportion of local and organic food served to 10 per cent.

Independent retailers

Sales of organic food through independent retailers increased by 10 per cent, rising to

Table 5 Estimated UK retail value of organic food sold through different outlets, 2001/02 to 2003/04

	2001/02		2002/03		2003/04		
	Sales (£m)	Proportion of total market value (%)	Sales (£m)	Proportion of total market value (%)	Sales (£m)	Proportion of total market value (%)	Annual growth %
Supermarkets	755.0	82	821.0	81	899.4	80	9.5
Direct sales	73.0	8	93.3	9	108.4	10	16.2
Independent retailers	92.0	10	101.0	10	111.1	10	10.0
Total	**920.0**		**1,015.3**		**1,118.9**		**10.2**

Source: Soil Association, 2004

an estimated £111 million in 2003/04 (Table 5). This growth has been partly led by the success and expansion of key independent retail chains, such as Fresh and Wild and Planet Organic.

Small and medium-sized retailers continue to struggle when competing with the larger multiple chains on price due to economies of scale. However, many consumers choose them because they offer a range of other benefits, often including transparent and local sourcing, quality customer service, and a good range and availability of organic product lines. To hold their own in the marketplace, it is imperative that independent retailers offer consumers a compelling alternative to supermarkets by effectively communicating the benefits of local organic food.

New opportunities for organic restaurants and catering

As more people buy organic food and learn about its benefits, they are beginning to ask more questions about where their food comes from – even when eating out. More and more chefs are choosing to cook with organic produce because of its growing public appeal and superior taste and quality. Indeed, 2003/04 was a breakthrough year for organic catering businesses, with a doubling in the number of licensed establishments. The 34 outlets now licensed by SA Cert cover mixed (organic and non-organic) sites and include mobile caterers, contract caterers, event caterers, restaurants and pubs. The vast majority - 85 per cent – sell 100 per cent organic food on their menus, and 77 per cent are sit-down restaurants. Licensees are situated across the UK but are mainly concentrated in London (34 per cent).

Pizza Organic, the only SA Cert-licensed organic restaurant chain, has significantly increased its number of restaurant outlets, including in cities outside London. SA Cert has also certified the first UK organic Pie and Mash shop, the first contract caterer providing organic meals for factory and business staff, and the first children's nursery. The Soil Association has been working closely with the catering sector, establishing a Catering Standards Committee in 2001 and launching stand-alone organic catering standards in May 2003. The catering trade offers an opportunity to balance supply with the public procurement market. For instance, schools only require specific cuts of meat, so supplying restaurants can help to ensure the full utilisation of carcasses.

The future for organic catering

The value of the UK catering market is estimated at £26.8 billion.[17] This is a huge, and largely untapped, market for organic food and drink. The popularity of eating out is underlined by recent research, revealing that almost 75 per cent of all adults (and 95 per cent of adults under 25) had eaten at a 'major branded restaurant chain' in 2002.[18]

However, there are many challenges in this new market. For instance, caterers can find it difficult to obtain a consistent supply of high-quality organic ingredients. While reports indicate that supply is improving, more suppliers and greater development of the supply chain infrastructure are essential. Communicating the benefits of organic food and the outlets where it is available is crucial to developing this market. A 100 per cent increase in catering establishments seeking organic certification is predicted in 2004/05.

5.4 Processed organic food

The number of licensed organic processors increased by just over one per cent, from 1,825 in April 2003 to 1,845 in April 2004 (Figure 5). This is encouraging as it signals a reversal of the fall in the number of organic processors seen in 2002/03.

The value of organic processed food in the UK has grown rapidly over each of the past five years, and 2003/04 was no exception. Whilst it is difficult to place an exact figure on the value of organic processed food, the continued success of leading organic brands demonstrates consumer demand for high quality food. To read more about market development in sectors including baby foods, beverages, bread, snacks and on-farm processing, please refer to the *Organic Food & Farming Report 2004 Enhanced CD-ROM* .

Many ingredients used in the processed organic food available in the UK are imported. Although many consumers and the UK Organic Action Plans demand home-grown produce, a number of obstacles must be overcome before UK producers can increase their supply to processors and manufacturers. These include the need for more regional processing facilities, greater producer co-operation, and strategies to develop consumer awareness.[19]

[17] *Catering Market,* Keynote Ltd, December 2003. [18] *Restaurants,* Keynote Ltd, September 2003.
[19] More information can be found in Appendix 1 of the *Organic Food & Farming Report 2004 Enhanced CD-ROM*

> *The key challenge for anyone wanting to create organic beauty products is that manufacturers of key raw materials haven't yet woken up to how quickly demand for organic beauty products is growing. But they will. It mirrors the situation with food – as organic demand grew, the market provided – and it will happen with beauty products too … and, potentially, that makes for a huge market opportunity.*
>
> Josephine Fairley,
> Leading beauty journalist and author of *The 21st Century Beauty Bible* and *The Ultimate Natural Beauty Book*

> *Sales of organic cotton in the UK increased by 38 per cent in 2003. This is part of a rapidly growing trend reflecting increasing consumer awareness and concern over global issues to do with the impact of pesticides, herbicides, dioxins and toxic chemicals used in textiles, on the environment and human heath. The good news is that this shows people are actually looking for positive alternatives.*
>
> Katharine Hamnett,
> Fashion designer

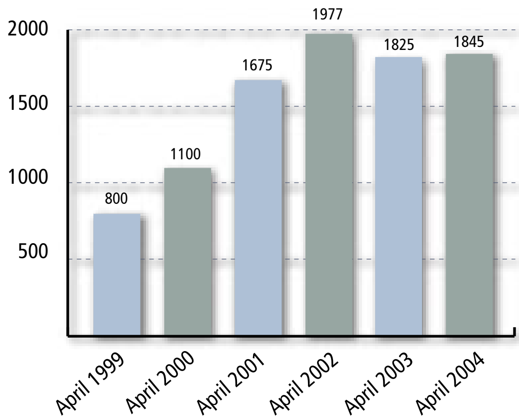
5.5 New markets for organic non-food products

Organic health and beauty care

Consumers and businesses are increasingly recognising that the organic lifestyle choice extends beyond the food we eat. The organic health and beauty care market has continued to grow during 2003/04, with a steady rise in the number of licensed organic health and beauty care businesses to around 50 SA Cert licensees in April 2004.

The challenges of the Soil Association's organic health and beauty care standards encourage creative rethinking of existing formulations, or a new approach to product development altogether. The range of products expanded in 2003/04 to include essential oils, essential oil products, massage oils, body oils, face and body creams, pastes, salves, soap bars, liquid soaps, shampoo, tinctures, capsules and herbal products. This exciting range of product categories is certain to broaden in the future.

Figure 5 Number of registered organic processors in the UK, April 1999 to April 2004



Source: Soil Association and Defra, 2004

The high level of media interest during 2003/04 has undoubtedly contributed to raising public awareness and demonstrates the potential market for these products. The number of licensed businesses is expected to increase by 10 to 20 per cent during 2004/05, including overseas manufacturers.

Organic textiles

The Soil Association's textile standards and certification scheme has attracted a great deal of interest since it was established in February 2003. By April 2004, SA Cert had licensed 10 manufacturers of textiles, with a further 12 companies in the process of licensing.

However, a far greater number of companies have expressed a serious interest in developing organic textiles. Around 80 per cent of applicants have sought to license organic wool, tanned hide and skin products from UK livestock. All other licensing relates to cotton products, predominantly of non-EU origin, in response to increasing consumer awareness of the social and environmental consequences of industrial cotton production. Organic cotton sales reached an estimated £20 million in the UK during 2003/04. Baby wear and women's fashion are the most popular products, followed by T-shirts, yogawear and home textiles, with an anticipated rise in demand for denim in the future. Turkey and the United States are the biggest producers of organic cotton.

The key challenges to expanding the UK organic textile market are supply chain transparency, certification equivalence and consumer awareness. SA Cert predicts a 200 per cent rise in the number of textile licensees during 2004/05, as certification and technical issues are resolved, including a wider uptake of cotton products.

Table 6 Organic purchasing trends in the UK, 2003 to 2004

	Year to June 2003	Year to June 2004	Percentage growth
Percentage of households buying organic	76.9	76.9	0
Frequency of purchase (shopping trips per year)	13.5	13.5	1
Average annual spend (£ per household)	53.89	59.39	10
Average spend per trip (£ per household)	3.99	4.37	9

Source: TNS and Soil Association, 2004

An increasing number of schools are working to the Soil Association Food For Life target of 30 per cent organic food in school meals

06 The UK organic consumer

Organic shoppers have bought organic food a little more frequently in the past year, and the average amount spent each time they shop has also increased.

Data from Taylor Nelson Sofres (TNS) shows that the average organic consumer bought organic food 13.6 times in the year to June 2004 (Table 6). This increased from the 12.8 times per year reported for calendar year 2002 in last year's *Organic Food & Farming Report* and the 13.5 times a year recorded by the TNS Superpanel in the year to 22 June 2003. In the year to June 2004, the average annual spend per household on organic products reached £59.39, an increase of 10 per cent on the figure for the previous year.

Increased spending by existing organic consumers has thus been the main factor behind continuing market growth. The proportion of households buying organic food remained constant at 76.9 per cent.

These consumer trends are revealed by data from the TNS Superpanel – Europe's leading continuous consumer market research panel. It polls a representative sample of 15,000 households, each providing purchasing information from every shopping trip via an electronic terminal in the home.

To supplement this TNS information on shopping trends with new information on consumer attitudes, the Soil Association commissioned an opinion poll via NOP in August 2004. The results show the varying extents to which organic shoppers identify with the taste, health and environmental benefits of eating organic food. The res-earch also points to significant levels of public support for making organic food available in schools and restaurants.

NOP World surveyed a representative sample of 1,057 adults aged 15 and over across Great Britain. The survey found that 60 per cent of those questioned were buyers of organic food. The most committed age group was those aged 55 to 64, where 67 per cent were organic shoppers. The least committed were the 15 to 24 year-olds, of whom 50 per cent bought organic products. Women (62 per cent) were more likely to shop organic than men (56 per cent). Although those in social classes AB and C1 are still the most likely to buy, the appeal of organic food is clearly broadening, with 48 per cent of DEs now professing to buy organic products.

There was considerable regional variation in organic buying, from a high of 73 per cent of those surveyed in south west England, to 37 per cent in East Anglia. After the south west, organic buyers were most prevalent in Scotland (64 per cent of those surveyed) and south east England (63 per cent).

It is already well documented that baby food is an important entry point into the organic market – organic baby food accounts for just under half of all baby food sales. NOP's survey suggests that as children raised on organic baby food reach school age, their parents will want organic food to continue to feature prominently in their diet. The survey found that:

- One in three regards the school meals currently available as 'unhealthy'
- Eighty one per cent believe health limits should be imposed on the sugar, fat and salt content of school meals. This idea is supported by 91 per cent in the 35 to 44 age group, so many of whom are likely to have school-age children
- Seventy per cent believe organic and/or locally produced food should be available in schools – a key demand of the Soil Association's Food for Life campaign. Again support for this is strongest in the 35 to 44 age group (75 per cent), while regionally it is a cause supported particularly strongly in the south west (81 per cent).

The survey also explored whether consumers would like an organic option to be available on the menu when they eat out. A striking 44 per cent said they would, a remarkable figure given that only 33 per cent of those surveyed professed to buy organic food more often than 'rarely'. This finding highlights a major opportunity for future business development, and the doubling of certified organic restaurant and catering outlets in the past year shows that companies are catching on.

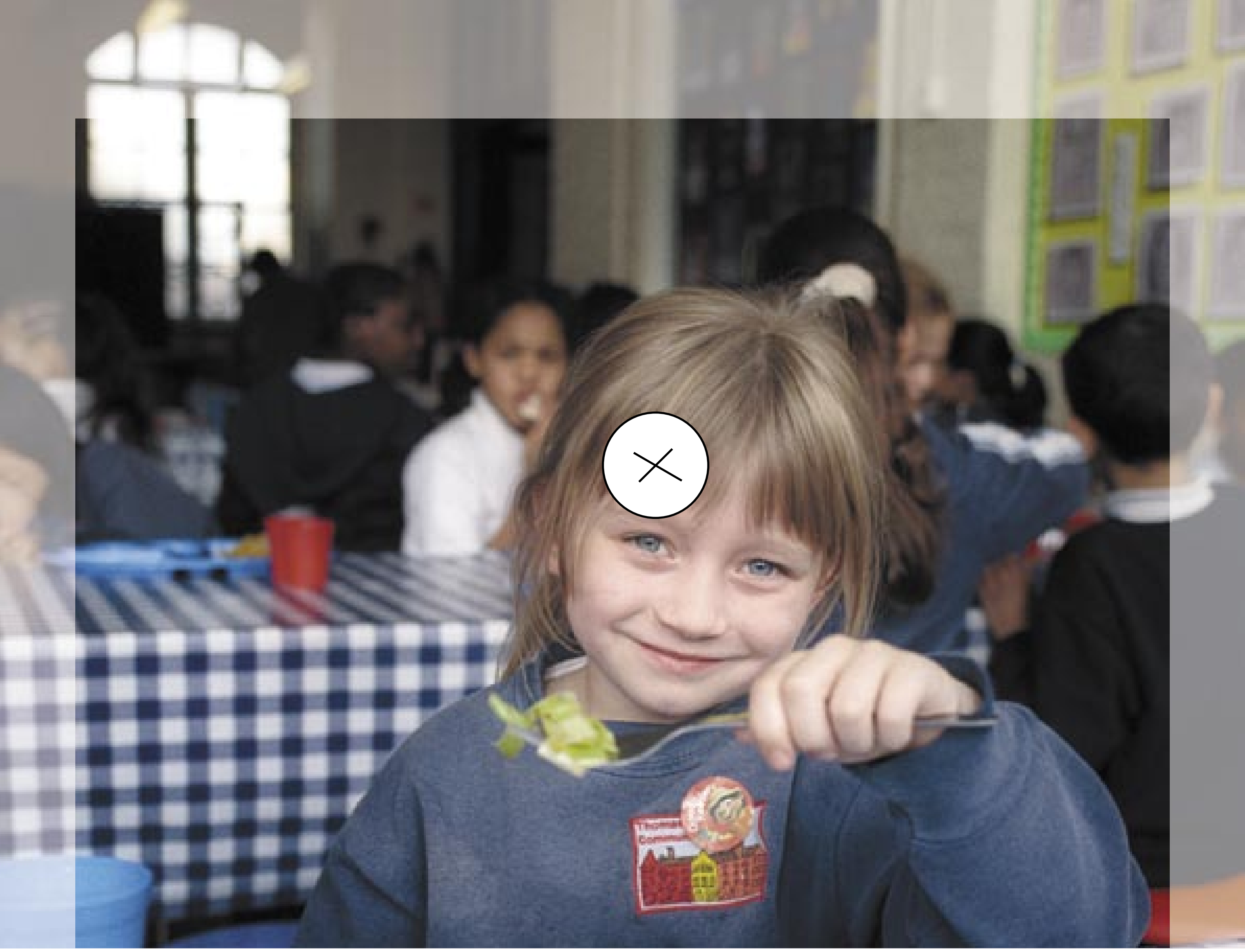
Finally, NOP examined attitudes to some of the benefits organic food delivers (see Table 7). To what extent do organic shoppers identify with these benefits? The survey found that 78 per cent of organic consumers believe organic food is better for wildlife. A similar proportion believe it is worth buying to avoid pesticide residues. Nearly three-quarters (74 per cent) are motivated by the exclusion of GM ingredients, while two-thirds are convinced of the health benefits. Nearly half (48 per cent) are convinced that organic food tastes better.

Table 7 **Organic purchasing motivations, NOP poll August 2004**

Q. Here are some statements other people have given for buying organic food. How much do you agree or disagree that organic food is worth buying because…

Statement	Agree or agree strongly (%)	Disagree or disagree strongly (%	Neither agree nor disagree (%)	Don't know (%)
"... it tastes better"	48	22	25	5
"... it's better for me/my family"	66	12	18	4
"... it is grown without using chemical sprays"	78	10	9	3
"... it is better for wildlife"	78	7	11	4
"... it is not genetically modified and does not contain GM ingredients"	74	8	12	7

Base: All adults aged 15+ who buy organic food Source: NOP World, 2004



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