

# Organic market report 2012



**Soil Association**

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## Soil Association

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It is not breaking news that in the UK, and worldwide, we are facing tough economic times. All of us are watching our spending, and in all areas of retail the reports are of decreasing sales and consumers tightening their belts.

But put in a global context, organic is bucking that trend. Internationally, organic sales grew by 8% in 2010 and sales are now valued at €44.5 billion. Strong growth has continued in all the major European markets, and the US, and the outlook for this year is positive. The organic market in China has quadrupled in the past five years, while Organics Brasil reports an annual growth rate of 40% in the Brazilian market. Market analysts predict that organic sales in Asia will grow by 20% a year over the next three years. Thirty-seven million hectares of land worldwide are now farmed organically.

The UK scene is more complex. As our report shows, some sectors continue to grow: sales of organic baby food are up 6.6% and it has also been a good year for meat, with lamb and poultry enjoying increases and beef holding its own. In the non-food sectors, health and beauty, and textiles (although still a small share of the overall market) continue to expand their reach.

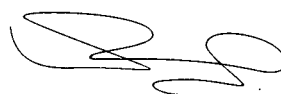
Although the organic market is down by 3.7% overall in the UK, some interesting trends and patterns are emerging, which may reflect a cultural shift in some of our shopping habits.

Sales of organic food and other products continue to be bought by a much broader demographic than the traditional image of 'posh' organic might suggest – with eight out of ten households buying some organic items in 2011. And, perhaps in response to some multiple retailers decreasing the range and shelf space on offer to organic, box schemes, many farm shops and other specialist independent retailers are remaining positive about organic sales.

Some of our report reflects other changes to household habits. The growth of businesses such as Ocado, for example (its organic sales are up 5.5%), show the continued trend for doorstep delivery and online sales. There are exciting plans afoot for several major businesses to expand their organic offer in this area.

Organic businesses continue to be amongst the most pioneering and creative around, constantly looking for ways to make their products more available and accessible to consumers. It is this spirit of innovation that I believe will nurture the market back to growth, even in challenging times. Many consumers are clearly looking for a deeper connection to the production values behind their food, as support for farm shops, markets and independent retailers suggests.

The famous war time poster exhorts us to 'Keep calm and carry on'. I hope this report gives you a flavour of how the organic market is doing just that.



**Helen Browning** OBE

Chief executive  
Soil Association



# Overview

▶ Sales of organic products fell by 3.7% in 2011 to £1.67 billion but **sales through box schemes, home delivery and mail order increased by 7.2%** to £167 million. Committed organic shoppers looked increasingly to specialist retailers as the supermarkets reduced the choice and availability of organic products.

▶ The growth in box schemes and home delivery was the big success of a relatively **encouraging year for independent retailers**. Independent retail sales were down 0.5% to £477.4 million but increased their share of the organic market to 28.6%.

▶ The main cause of the market's overall decline was a **5% drop in multiple retail sales**, driven by three key factors:

**1. Another challenging year on the high street:** as the economy faltered, families continued to look for savings on household spending.

**2. Continuing cuts** by nearly all the retailers in ranges and shelf space, reducing choice and availability. Some have gone in just three years from positive 'choice editing' (offering only organic options on some lines) to **negative choice denial** (offering no organic option at all).

**3. A striking lack of investment** in own-label organic ranges, reflected by minimal marketing activity: own-label sales dropped by 9.5%; organic brands dropped by 2.9%.

▶ **Multiple retail sales** amounted to £1.19 billion – **71.4% of the organic market**. Waitrose, the only major supermarket engaging in significant promotional activity or investment in its organic offering, saw its sales decrease by 2.2%, compared to a 9.5% drop in the combined organic sales of the other six leading multiples.

▶ The products that bucked the downward trend in the market with **increased sales** included **lamb** (up 16%); **baby food** (up 6.6%); **poultry** (up 5.8%); **health and beauty** (up 8.7%); and **textiles**.

▶ It was a **good year for red meat** generally, with beef sales holding their own after strong growth in 2010 and lamb sales transformed from a downward curve in late 2010 to 16% growth in 2011.

▶ Consumer demand for organic **poultry also enjoyed a revival**. Sales of poultry and game as a whole increased by 5.8% and sales of fresh organic chicken by 2.6%, although farmers were squeezed by high feed and energy prices. Sales of organic **turkey increased by 56%**, partly reflecting a trend towards buying organic food for special occasions.

▶ **Local and direct sales of organic fruit and vegetables** and supermarket sales of organic fruit **held their own**, despite a drop in sales of organic vegetables and salads through the multiple retailers.



**WELCOME**

**£1 is spent on home delivery for every £7 spent in supermarkets**



**Sales of organic lamb increased by 16%**

► **The restaurant and catering sector**, an area in which organic products have not been well represented in the past, **grew by 2.4%**. Notable successes in 2011 included an increased take-up of organic food in schools, nurseries and hospitals through the **Soil Association-led Food for Life Partnership** and the Food for Life Catering Mark, as well as a 9% increase in the volume of organic milk sold through McDonald's.

► There are positive **signs of strength in the core businesses of the organic market**. Soil Association Certification, the UK's leading certifier of organic food and farming, reports that the turnover of its licensees increased by 0.5% from April 2011 to January 2012. Many of these businesses, which represent 70–80% of the market as a whole, have achieved **continuing growth through innovation, export and the supply of new markets** – including the catering demand created by the Food for Life Catering Mark.

► **8 out of 10 households (83%) bought organic products in 2011**. On average consumers bought organic products 13 times per person in 2011, compared to 14 times in 2010.

► **Dairy products and fresh fruit and vegetables continue to be the most popular organic categories**, accounting for 29% and 23% of sales respectively.

► The 16% growth in organic sales at Lidl shows the continuing appeal of organic food across the social spectrum. **Nearly £3 is spent on organic products at Lidl and Aldi for every £4 spent in Marks & Spencer.**

► The UK's organic land area decreased by 2.8% to 718,345 hectares. This represents 4.2% of farmland. The most encouraging picture was in **England**, where the rate of conversion to organic production slowed down but the **fully organic land area increased by 16%**.

► The proportion of **land that is farmed organically varies widely within the UK**, from highs of 10.7% in south-west England and 8% in Wales to 1.5% or less in Northern Ireland, the East Midlands, eastern England, and Yorkshire and Humberside.

► The number of organic **producers and processors fell by 4%** to 7,287, from 7,567 the previous year.

► **The independent retail sector and those supplying it are more optimistic about the outlook** for 2012 than the supermarkets and their suppliers. Among the three leading supermarkets in the organic market only **Waitrose anticipates growth**, while Tesco and Sainsbury's both anticipate a decline.



# The organic consumer

## Across the social spectrum

Organic food and drink continue to have a broad appeal. Eight out of ten households (83%) bought organic products. On average consumers bought organic products 13 times during the year, compared to 14 times in 2010. The appeal of organic products extends across the social spectrum but a tough year economically has put a particular squeeze on lower-income households. Consumers on higher incomes accounted for 71% of spending on organic products in 2011, compared to 67% in 2010. Those in the C2, D and E social groups – which cover manual and casual workers, pensioners, students and people on benefits – accounted for 29% of spend, compared to 33% the previous year.

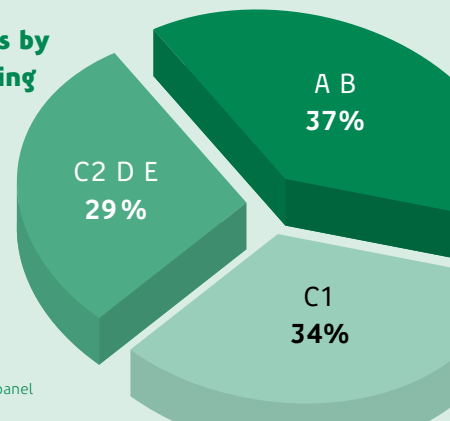
## Younger shoppers step up spending

Encouragingly an IGD Shopper Track survey published in September found that 17% of shoppers expected to buy more organic products in 2012 than in 2011, compared to only 1% who expected to buy fewer. The keenest age bracket was under-35s, 26% of whom expected to buy more organic food and drink. This group, often known as the 'Jamie generation', provide a growing base of committed shoppers for the future and are predicted to account for almost 15% of the organic market in 2016 (Mintel). Kantar data continue to show the importance to the organic market of a relatively small but committed core of consumers – around a fifth of organic shoppers account for three-quarters of sales.

## An important choice

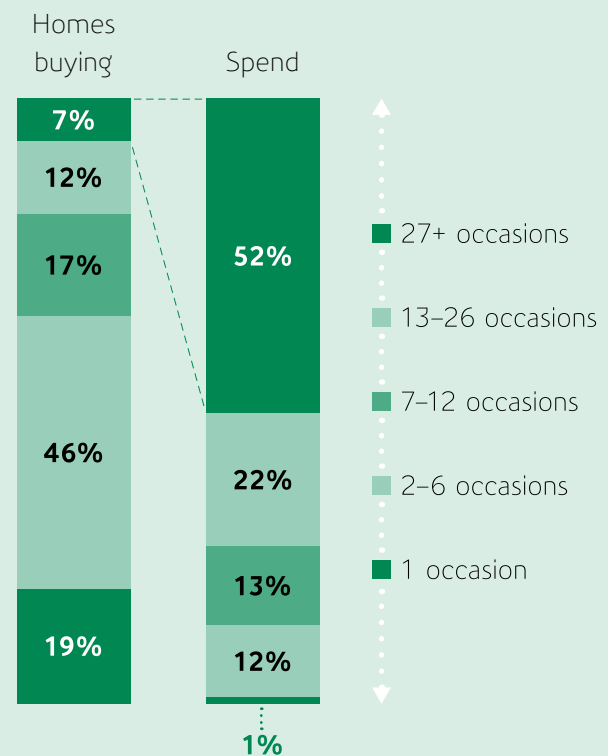
Another survey of a thousand shoppers in September and October 2011 found that more than one in six (17%) felt it was 'very important' or 'extremely important' to buy organic food. A further 36% felt it was 'fairly important', suggesting that more than half of shoppers overall (53%) buy organic products as a conscious, positive choice.

## Organic sales by social grouping 2011



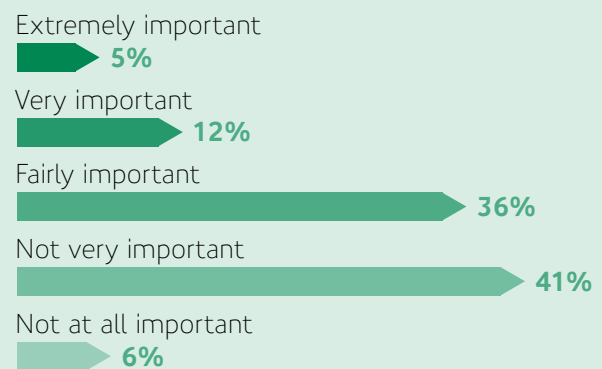
Source: Kantar Worldpanel

## Spending frequency of organic buyers 2011

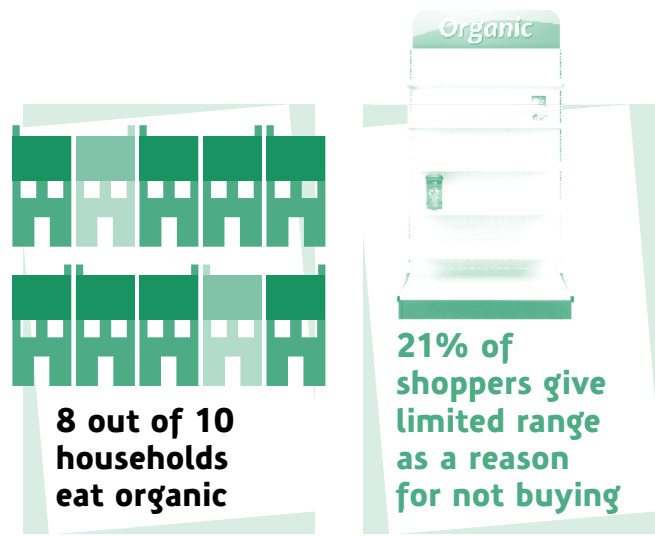


52 weeks w/e 25 December 2011. Source: Kantar Worldpanel

## The importance to shoppers of buying organic food



Source: Leapfrog Research/Organic UK



The discrepancy between the 53% of shoppers who think it is important to buy organic food and the 83% of households who actually buy suggests that some organic purchases may be motivated by the appeal of the particular product, the equity of the brand or random selection to fulfil an item on a shopping list, rather than conscious choice of the organic option.

**Value for money**

When the same survey asked those who did not think it was important to buy organic food why they did not buy more often, nine out of ten (91%) said they thought organic products were too expensive. This underlines the importance of promoting value-for-money options (subscribing to an organic vegetable box scheme, for example, or using cheaper cuts of organic meat, or choosing cheaper organic alternatives to mainstream non-organic brands).

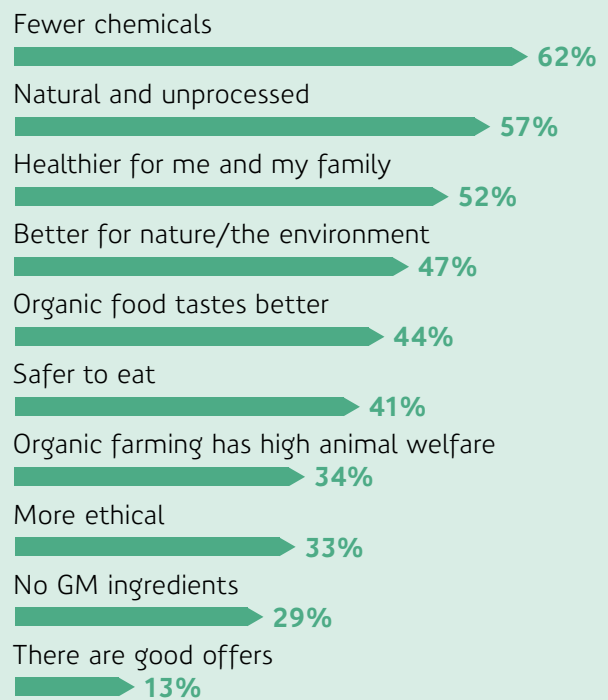
One in five (21%) said they doubted whether organic food was any healthier. This shows the value to the organic sector of publicising research that points to health benefits, such as higher levels of essential fatty acids in organic milk.

Other barriers to purchase included disappointment in the range of organic food available (21%); and not knowing enough about organic products (15%). UK supermarkets have played a valuable role in broadening availability and awareness, and it is concerning to see the reduction in organic ranges and shelf space highlighted in this report.

**Motivations for purchase**

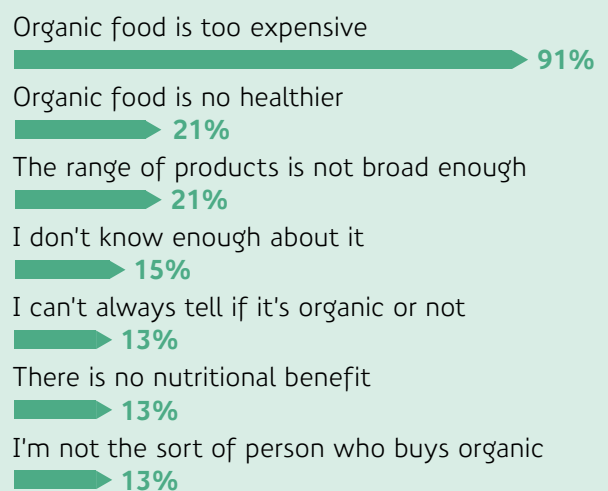
Avoiding potentially harmful chemical residues in food remains the strongest motivating factor for buying organic food, cited as important by 62% of shoppers in 2011. Health, taste and environmental factors are the biggest motivations for purchase overall, while animal welfare is a factor for a third of shoppers.

**The top reasons FOR buying organic**



Source: Leapfrog Research/Organic UK

**Non-buyers' reasons for NOT buying organic**



Source: Leapfrog Research/Organic UK



# The UK organic market

Sales of organic products fell by 3.7% in 2011 to £1,667 million but sales through box schemes, home delivery and mail order increased by 7.2% to £167 million. Committed organic shoppers looked increasingly to specialist retailers as the supermarkets reduced the choice and availability of organic products.

The products that bucked the downward trend in the market by showing significantly increased sales included organic lamb (up 16%); butter (up 9.4%); herbs and spices (up 4.9%); baby food (up 6.6%); poultry (up 5.8%); and health and beauty (up 8.7%). Dairy products and fresh produce (fruit, vegetables and salad) continue to be the most popular items in the organic shopping basket. Together they represent 52 pence in every pound spent on organic products brought to the home.\*

The booming organic baby food market is dominated by Organix, Ella's Kitchen and HiPP, commanding 90% of sales between them. Continuing growth in 2011 was fuelled mainly by increased sales of finger food, with a steadily rising birth rate also a factor.

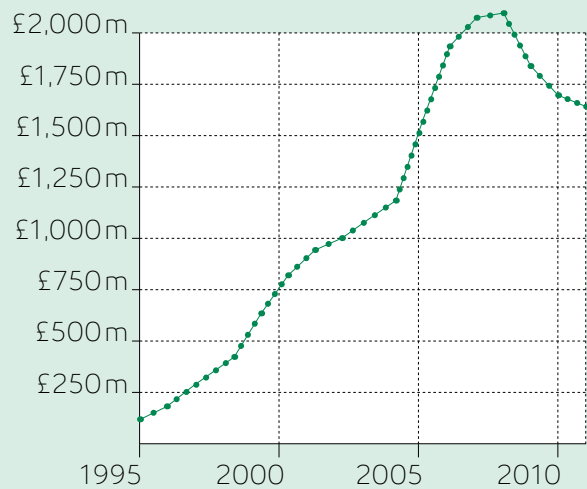
## Multiple retailers

The cause of the market's overall decline was a 5% drop in multiple retail sales, driven by three factors:

- ▶ As the economy faltered, families continued to look for savings on household spending
- ▶ Continuing cuts by nearly all the retailers in organic ranges and shelf space
- ▶ A striking lack of investment in own-label organic ranges, reflected by minimal marketing activity.

\*Kantar Worldpanel monitors the spending habits of a demographically representative group of 25,000 GB households. Its calculations are based on households scanning purchases that they bring home from the shops, and so may miss 'impulse' purchases such as an office worker buying and eating an organic yoghurt at lunchtime, or buying and eating an organic chocolate bar on the way home.

## UK sales of organic products 1995-2011



Source: Soil Association, Organic Market Report

## Share of the UK organic market 2010-2011

### Multiple retailers

2010 **£1,252m** | 2011 **£1,189.6m** | ▼ -5%

### Box schemes/home delivery/mail order

2010 **£155.8m** | 2011 **£167m** | ▲+7.2%

### Farm shops

2010 **£31.55m** | 2011 **£30.45m** | ▼-3.5%

### Farmers' markets

2010 **£17.82m** | 2011 **£17.64m** | ▼ -1%

### Catering

2010 **£15.33m** | 2011 **£15.7m** | ▲+2.4%

### Other independent retailers

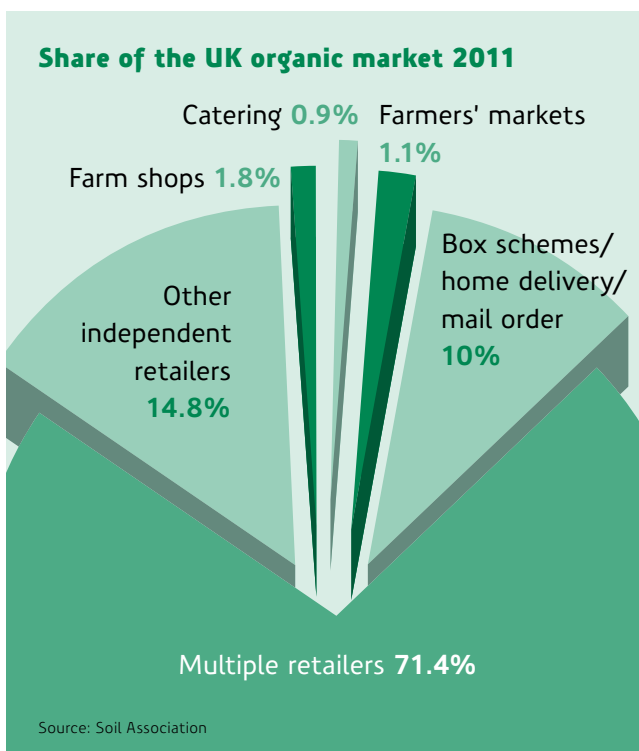
2010 **£259.3m** | 2011 **£246.6m** | ▼-4.9%

### Total

2010 **£1,731m** | 2011 **£1,667m** | ▼-3.7%

Source: Soil Association





Multiple retail sales amounted to £1,189.6 million – 71.4% of the organic market. Among the biggest supermarkets Waitrose fared best. Its organic sales fell by 2.2%, compared to a 9.5% drop in the combined sales of the six other leading multiples. Sales at Sainsbury's and Tesco, the two biggest organic retailers, were down 5% and 5.9% respectively.

Organic products accounted for nearly 6% of all Waitrose customers' spending on food and drink, and the company predicts growth of 2–5% in 2012. It was the only major supermarket to report any significant promotional activity or investment in a Soil Association survey conducted for this report, launching more than 50 new products in its own-label and Duchy Originals organic ranges. A lack of investment and promotion by the other retailers is reflected in the disproportionate drop in own-label organic sales – down 9.5% compared to a 2% drop in sales of branded products.

Among the smaller players the big success story was Lidl. It increased its organic sales by 16.7%, although from a low base, demonstrating that there continues to be a market for organic produce across the social spectrum. Shoppers now spend nearly three pounds on organic food in the two leading discount retailers, Lidl and Aldi, for every £4 spent in Marks & Spencer. Lidl is renowned for its positive approach to providing locally sourced produce, which fits well with offering organic products too.

The leading organic retailer in terms of market share was Tesco, with 27.1% of multiple retail sales. It says grocery and health and beauty lines were its best-performing organic products in 2011 but predicts further decline in 2012.

Product share of the UK organic market 2011*	share	value	2010 to 2011	
Dairy	29.2%	£528m	▼	-8.9%
Fruit, vegetables and salad	22.9%	£272m	▼	-5.1%
Baby food	13.3%	£158m	▲	+6.6%
Beverages	6.4%	£71m	▼	-13.6%
Fresh meat	4.8%	£57m	▼	-5.7%
Fresh poultry	2.2%	£26m	▲	+5.8%
Bread	1.1%	£13m	▼	-13.6%
Fresh fish	0.5%	£6m	▼	-24.6%

\*Multiple retail sales only

Source: Kantar Worldpanel

# The UK organic market

## Organic share of selected retailers' total food and drink sales 2011\*

WAITROSE	5.9%
TESCO	1.0%
CO-OPERATIVE	0.5%
MORRISONS	0.3%
OCADO	10.0%

\*\*\*\*\*  
PLEASE RETAIN AS PROOF OF PURCHASE

Source: Soil Association

## Independent retailers

Sales through independent outlets (including box schemes, mail order, farm and health-food shops, farmers' markets and catering establishments) almost held their own in tough trading conditions, falling by 0.5% to £477.4 million.

### Box schemes and home delivery

There are over 500 home-delivery box schemes for organic products in the UK. These range from individual producers with under a hundred regular customers to large operations delivering tens of thousands of boxes each week. Box scheme, home-delivery and mail-order sales grew by an impressive 7.2% in 2011 to £167 million – a second successive year of growth.

This net growth in sales value was driven by the bigger operations. The online home-delivery specialist Ocado increased its organic sales by 5.5% in the year to September 2011, with organic products accounting for over 10% of turnover. The company stocks around 1,500 organic lines, having linked with leading branded primary producers such as Daylesford and Laverstoke Park to expand its range. It reports that 79% of customers buy at least one organic item. The two leading companies delivering vegetable boxes, Abel & Cole and Riverford, increased their turnover by 28% and over 5% respectively. Box schemes with a turnover above £2 million saw their combined sales grow by 15%. Abel & Cole increased its customer base by 28.5% and now makes an average of 40,000 deliveries a week.

The picture was less encouraging among smaller box schemes, whose sales dipped by 1.8%, perhaps reflecting a relative lack of resources for marketing and promotion.

\*No data for Asda and Marks & Spencer were made available. Sainsbury's reports that organic products represent 2.3% of its own-label sales

## Leading multiple retailers in the UK organic market 2011

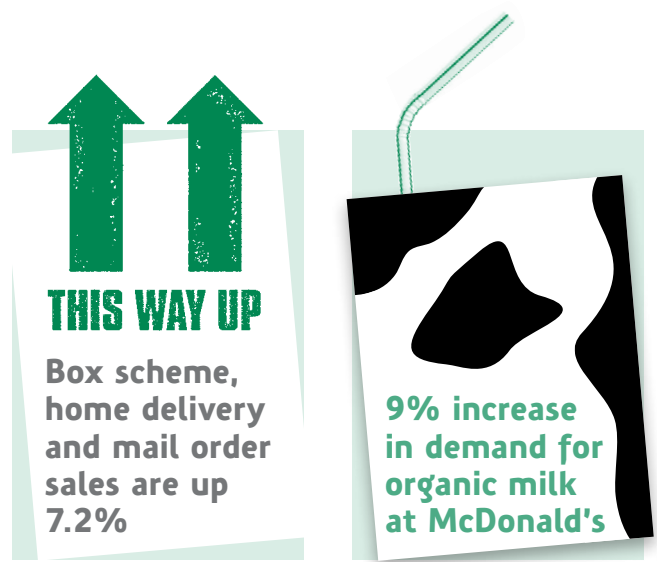
	market share	Sales 2011 v 2010
Tesco	27.1%	▼ -5.9%
Sainsbury's	23.1%	▼ -5.1%
Waitrose	18.8%	▼ -2.2%
Asda	8.7%	▼ -22.6%
Morrisons	6.8%	▼ -22%
Co-operative	3.6%	▼ -22%
Marks & Spencer	2.6%	▼ -7.6%
Lidl	1.0%	▲ +16.7%

Source: Soil Association

## Leading multiple retailers' best-performing organic categories 2011

 <p><b>Tesco</b> Grocery Health &amp; beauty</p>	 <p><b>Sainsbury's</b> Fruit &amp; veg Meat Poultry</p>	 <p><b>Waitrose</b> Yoghurt Confectionery Beer &amp; spirits</p>
 <p><b>Morrisons</b> Beef &amp; lamb Wine Milk</p>	 <p><b>Co-op</b> Milk Fruit &amp; veg Yoghurt</p>	 <p><b>M&amp;S</b> Meat Milk Fruit</p>

Source: Soil Association



### Farmers' markets and farm shops

There are over 500 farmers' markets in the UK, according to the National Farmers' Retail and Markets Association (FARMA). A survey conducted by FARMA on behalf of the Soil Association in 2009 found that organic sales accounted for an estimated 9.5% of the £2 billion turnover of farmers' markets at that time.

The Soil Association estimates that the value of sales through farmers' markets fell by 1% in 2011, to £17.64 million.

FARMA says there are over a thousand farm shops in the UK, selling local food produced on the farm directly to the public. This is a struggling sector in a flat economy, and the Soil Association estimates that sales of organic products through these outlets fell by 3.5% in 2011, to £30.45 million.

## Restaurants and catering

The Soil Association calculates that organic sales through the restaurant and catering trade rose by 2.4% in 2011 – a positive increase at a time when people are eating out less and contract caterers are still relatively new to the organic market. The value of the organic restaurant and catering sector now stands at £15.7 million.

The number of schools, nurseries, universities and hospitals serving organic food continues to increase as a result of the growing uptake of the Food for Life Catering Mark: the Soil Association's fastest growing accreditation scheme. The Mark recognises food providers who serve freshly prepared meals that are free from undesirable additives and better for animal welfare. The bronze, silver and gold tiers reward healthier menus and encourage the increased use of organic and locally produced ingredients.

The number of Food for Life Catering Mark holders has more than doubled in the past year and the number of Catering Mark accredited meals served is over 500,000 per day – almost 100 million each year. More than 4,200 sites now offer Catering Mark accredited menus. The majority are in schools, but over 60 nurseries, six universities and five hospitals are also part of the scheme.

An independent evaluation of the benefits of Food for Life Catering Mark menus was released in 2011. The findings included:

- ▶ For every pound spent on Catering Mark menus, there is a return of over £3 in value to the local economy and society
- ▶ The number of children eating five portions of fruit or vegetables a day has increased by 28% in Food for Life primary schools, where Catering Mark standard menus are served
- ▶ 45% of parents whose children are attending Food for Life schools report that their families are eating more fresh fruit and vegetables at home.

A striking success in the restaurant sector has been the increasing demand for organic milk at McDonald's, with volumes growing by 9% in 2011 and topping 20 million litres for the first time. All the milk in tea and coffee served in McDonald's restaurants in the UK is organic, and the company reports positive feedback from consumer research about 250ml bottles of organic milk being available in children's happy meals. All this milk comes from UK organic dairy farms.

A number of other high-street chains are also using organic milk for tea and coffee, most notably Pret A Manger, creating an opportunity for further growth in this sector in the future.

# The UK organic market

## Non-food products

### Textiles

UK sales of organic textiles continued to grow, and are estimated to be worth over £100 million. Organic cotton accounts for over 90% of the market; wool, linen and other fibres make up the remainder.

Soil Association Certification, the UK's leading certifier of organic products to Global Organic Textiles Standards (GOTS),\* saw the turnover of its 79 textile licensees† increase by 2% to £12 million. In the UK organic cotton market, certified products make up around a fifth of sales. Four-fifths of demand comes from major retailers and brands incorporating organic cotton into their manufacturing.

The organic clip of wool sold through the Wool Board increased by 3% in 2010-11.

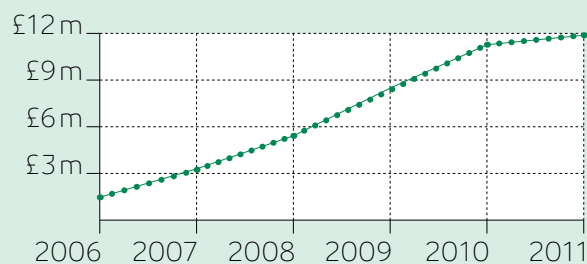
In 2011 Fujifilm became the first company to have products certified under Soil Association Certification's new 'approved inputs for textiles' scheme, which aims to help organic textile and garment manufacturers to source low-impact processing chemicals. Fifty products from three Fujifilm screen printing ink ranges are now available for use in organic textile processing.

Continental Clothing is the Soil Association's leading organic textile licensee in terms of turnover. It specialises in designing and manufacturing items to sell wholesale to the imprints industry, and grew by 35% in 2011.

\*The GOTS standards, which the Soil Association helped develop, are the only internationally recognised organic textile standards ensuring organic integrity at every step of the supply chain – from harvesting through production and processing to manufacturing and labelling. All chemical inputs such as dyes must be biodegradable and non-toxic, while a range of accessories (including PVC, plastic inlays, nickel and chrome) are prohibited on environmental grounds. Employment conditions in factories must meet the standards of the International Labour Organisation. There are now 2,714 GOTS-certified facilities in 57 countries, slightly down from 2,754 a year ago.

† Includes suspended licences and new applicants

### Sales of Soil Association-certified organic textiles 2006–2011



Source: Soil Association Certification

That growth was driven by a combination of rising demand from existing customers (particularly fashion retailers and the music events sector), new business and range expansion (including new children's and lightweight jersey lines). The company reports that its use of organic cotton has been a key factor with the new clients it has acquired.

A small but well established outlet for organic cotton is women's sanitary products. Market leader Natracare grew by 9% in the year to June 2011. Recent growth has been driven by increased sales through Waitrose and strong export demand from France, Germany and the far east.

### Health and beauty

The Soil Association calculates that UK sales of certified organic health and beauty products increased by 8.7%, to £30.1 million. The turnover of Soil Association health and beauty licensees increased by 10%, reaching £21.5 million.

The UK market leader in this sector, Soil Association-certified Neals Yard Remedies, increased its turnover by 10.7%. Organic products account for 43.2% of that turnover, with 79% of organic sales in the UK and the remainder through export markets. The company opened new stores in east London and York in 2011 and now offers 410 organic product lines.

Sector pioneer Essential Care reports a challenging but ultimately positive year. Sales were slower in the first six months, but domestic and export demand have since picked up. The company attributes its continued growth in 2011 mainly to investment in its website (online sales grew by 8%) and the successful launch of a new dual-certified organic and Fairtrade make-up range.



# Organic farming in the UK

## Organic land and organic producers

In July 2011 the UK's organic land area was reported to be 718,345 hectares (based on data to the end of 2010). This represents a 2.8% decrease on the previous year, and constitutes 4.2% of the agricultural land area. The proportion of land that is farmed organically varies widely within the UK, from highs of 10.7% in south-west England and 8% in Wales to 1.5% or less in Northern Ireland, the East Midlands, eastern England, and Yorkshire and Humberside.

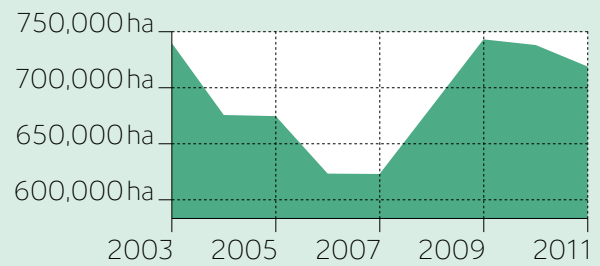
The number of UK organic producers and processors fell by 4% to 7,287. Farmers account for around two-thirds of this total (67.9%), and nearly a third of these (30.8%) are in the south west of England.

## National trends

### England

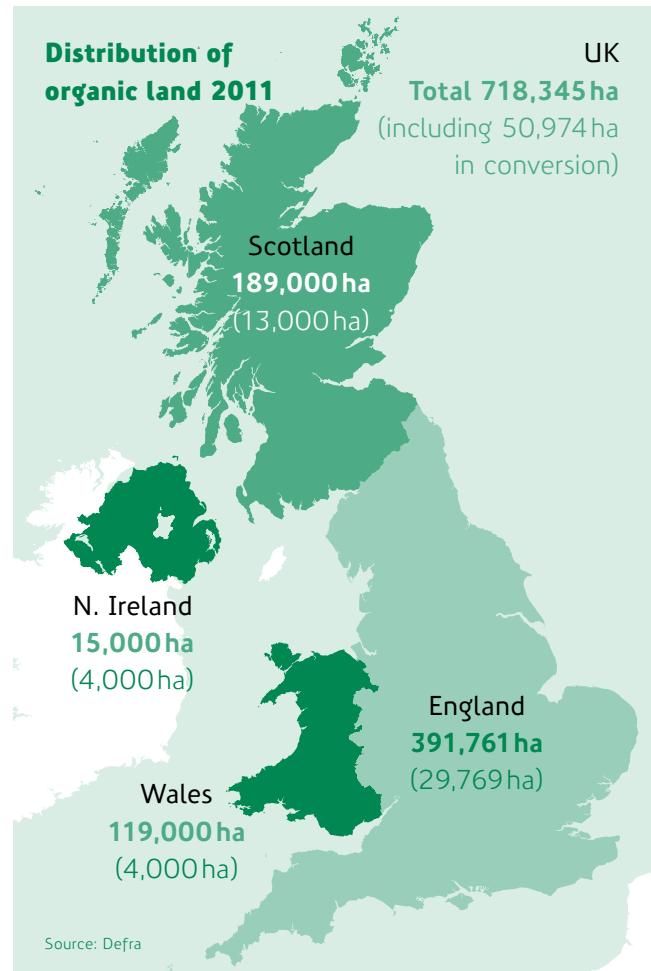
The area of land registered as organic increased by 3.4% to 392,000ha. The fully organic area increased by 16%. New land entering conversion fell back to 30,000ha as farmers considered their options in the light of improving non-organic market prices. The bulk of this new conversion land (78%) is temporary or permanent pasture, indicating that farmers are responding to growth in the beef and lamb markets and good environmental support through the Organic Entry Level Stewardship scheme.

### Organically managed land in the UK 2003-2011



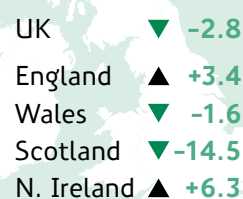
Source: Defra

### Distribution of organic land 2011



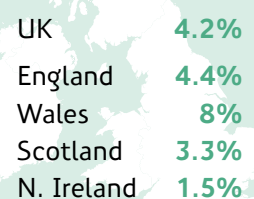
Source: Defra

### Percentage change for organic land 2010 to 2011



Source: Defra

### Total UK agricultural area that is organic 2011



Source: Defra



# Organic farming in the UK

Summer rains helped save the bulk of crops following the warmest, driest spring for a century. Numbers of cattle and sheep at the start of the year showed increases of 13% and 5% respectively. Pig numbers held steady as the market realigned after a drop in production in 2010. Cereal and poultry production fell.

## **Northern Ireland**

Data collected at the start of 2011 show that the area of land registered as organic had increased by 15% in the previous year, to 15,000ha. The fully organic area barely changed, but land in conversion increased by a third.

It was a difficult year for most organic producers because of high feed and fuel prices and lower consumer demand. The main organic poultry processor was producing 30% fewer birds per week at the end of 2011 than a year previously. Numbers of beef and sheep producers remained constant, but five of Northern Ireland's 21 organic dairy farmers reverted to non-organic production. The wholesale market for organic vegetables remained steady, however, and local sales direct to the consumer began to grow again.

## **Scotland**

January 2011 data show a 14.5% reduction in organically managed land overall, to 189,000ha. Land in conversion increased modestly but the fully organic land area contracted by 16% as some farmers reverted to non-organic production. Despite this contraction, there was strong demand for Scottish organic beef and lamb throughout 2011. Farmgate lamb and cereal prices held up, and beef prices reached unprecedented levels.

There are grounds for optimism following the progress made by the Scottish Organic Forum and Scottish Government in working together on the development and implementation of the Scottish Organic Action Plan.\* As part of the action plan, the Scottish government classed organic as a 'national target'. This higher status was reflected in a 95% success rate for organic maintenance applications under the Scotland Rural Development Programme in September – compared to a success rate of only 54% for previous organic maintenance applications since the scheme was launched in 2008.

The latest producer survey by Organic Market Link shows the highest percentage of respondents for three years that state their intention to continue in organic production for at least five years.

## **Wales**

January 2011 data show a 1.6% reduction in the organically managed land area overall, to 123,000ha, as challenging market conditions for organic production affect confidence.

Only four new producers applied for conversion support in 2011 because of a variety of factors, including flat consumer demand, uncertainty about support payments under the new Glastir agri-environment scheme and the narrowing of some price premiums for organic producers. The sense of uncertainty has been exacerbated by the closure of the Organic Conversion Information Service and the removal of a separate organic development programme within Farming Connect.

The numbers of lambs (82,000) and beef cattle (5,600) sold as organic by Welsh producers were significantly higher than in 2010 – up 26% and 44% respectively – according to the annual Organic Centre Wales producer survey.

\*Organic Futures: An Action Plan for Organic Food and Farming in Scotland  
([www.scotland.gov.uk/publications/2011/03/14093552/0](http://www.scotland.gov.uk/publications/2011/03/14093552/0))



## Grounds for optimism: Scotland's new action plan



Production data suggest that nearly half of organically produced lambs and 10% of beef cattle were sold as non-organic, as producers responded to high prices for non-organic animals. Survey responses indicate that a significant proportion of organic producers are considering whether to continue in organic production – a potential threat to the continuity of lamb and beef supply in the future.

## Sector by sector

**Arable** crops were adversely affected by a dry, hot spring. Wheat yields were 5-10% below expectations, although milling wheat quality was good. Prices for feed wheat increased by 24% in the first quarter, then fell back to late 2010 levels by year end because of reduced demand from dairy, pig and poultry farmers. Protein crops remained in short supply, while a poor oat harvest in 2010 translated into strong demand and high prices throughout 2011.

**Horticulture** experienced a mixed growing season. The dry spring brought good early harvests of asparagus and strawberries, and regular but not excessive summer rainfall suited many crops. A lot of growers reported a lack of pollinating insects, however, causing crop failure in some cases. The comparatively mild start to winter 2011-12 was good for some crops – especially leafy produce – but others such as cauliflower and sprouts had to be harvested early. Fewer organic fruit and vegetables were sold through the supermarkets, but on the whole local sales and prices held up well.

**Beef and lamb** producers benefited from an improvement in livestock prices through the year and increased demand from multiple retailers, with lamb sales increasing by 16%.

Carcass utilisation also improved as some supermarkets stocked more cuts of organic beef and lamb than before. The failure of the deadweight price for organic lamb to keep pace with conventional liveweight prices persuaded many farmers to market their lambs as non-organic. Some organic beef producers also sold finished beasts and store cattle through the non-organic market, which helped to keep organic supplies tight and prices high.

**Pork** production was in gentle decline through 2011, and the UK's biggest producer (outputting more than 500 pigs a week) closed its doors at the end of the year. Despite this most producers made enough money to keep their heads above water in a year of static prices and relentlessly rising costs, assisted by buoyant export demand from some EU countries and a strong euro until late in the year. Feed costs are at last edging downwards, and this should help stabilise supplies of organic pigs in 2012, although enthusiasm for exporting may be dampened by a weaker euro.

**Poultry** producers enjoyed more settled weather conditions, with a mild spring and warm summer rains that maintained range conditions and ensured organic birds consistently met abattoir specification. Producers struggled, however, with high feed and energy prices and uncertainty over changing feed regulation. They also had to contend with receiving fewer birds to finish as processors reined in contracts to cut output in line with demand. Figures from the Soil Association's abattoir survey show bird numbers down by 19.3% on 2010 figures. It is to be hoped that better times lie ahead – although 2011 was a year of readjustment, supermarket figures showed a rise in organic chicken sales of 2.6%. The 56% increase in turkey sales reflects producers tackling undersupply in 2010 and also an increasing trend towards buying organic food for special occasions.



# Organic farming in the UK

## Organic abattoir survey 2011

	Beef	Sheep	Pigs	Chickens	Turkeys
Number of abattoirs responding to survey	15	14	8	6	3
Numbers killed as organic (headage)	33,113	165,887	42,001	3,414,058	3,833
Change in total killed from 2010 to 2011	▲ +8.2%	▲ +0.6%	▲ +1.4%	▼ -19.3%	▲ +5.5%
Estimated production volumes in 2012	▼ -1%	▶ 0%	▲ +0.1%	▼ -0.1%	▲ +8.4%

Source: Soil Association

**Egg** producers endured another tough year as sales dropped by nearly 19%, dampening demand from supermarket packers. Retailers responded to signs of a drop in consumer demand by reducing organic lines and shelf space, restricting consumer choice and depressing the market still further. A number of farmers ceased egg production, reduced hen numbers or switched to free range production.

**Milk** sales dipped for a second successive year, falling by 9.2% in volume terms and 9.9% by value. This affected levels of production, which fell by 15%. Average retail prices for organic milk were reduced by 1.2% (a penny a litre) but this did little to boost demand, not least because non-organic milk prices were cut by 5.1% as milk continued to be one of the main battlegrounds in supermarket price wars. Strong sales growth in other European countries at least enabled UK organic dairy farmers to export some milk surpluses created by the dip in domestic demand.

**Salmon** production contracted at the start of the year due to a combination of high feed prices, lower consumer demand and industry consolidation. By December, however, both demand and supply were growing again. Non-organic salmon prices dipped while organic prices remained reasonably constant in the £5-£6.50/kg range, restoring some of their premium advantage.

## UK organic production: supermarket sales and agricultural output 2010 to 2011

	Sales*	Output†
<b>Cereals</b>		▼ -2.4%
Bread	▼ -13.6%	
<b>Horticulture</b>	▼ -5.1%	▼ -5.5%
<b>Beef</b>	▼ -0.5%	▲ +8.2%
<b>Lamb</b>	▲ +16.1%	▲ +0.6%
<b>Pork</b>	▼ -34.9%	▲ +1.4%
<b>Poultry</b>	▲ +5.8%	
Chicken	▲ +2.6%	▼ -19.3%
Turkey	▲ +56.0%	▲ +5.5%
<b>Eggs</b>	▼ -18.8%	▼ -9.7%
<b>Milk</b>	▼ -9.9%	▼ -15.0%
<b>Fresh fish</b>	▼ -24.6%	▼ -20.0%

\*Source: Kantar Worldpanel

† Figures for arable and horticulture represent the land area under organic production at the start of 2011, compared to a year previously. Figures for all the other categories represent volume of production. Sources: Defra (arable, horticulture, eggs); Soil Association abattoir survey (meat categories); Organic Milk Suppliers' Cooperative (milk); Aquascot (aquaculture).

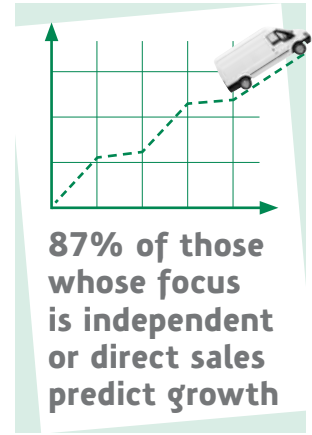




# Looking forward



**Organic sales worldwide continue to grow**



**87% of those whose focus is independent or direct sales predict growth**

The prospects for a revival in the organic market are inextricably linked to trends on the high street and conditions in the wider economy. Inflation fell from 4.2% in December 2011 to 3.6% in January 2012, but unemployment increased again and uncertainties over the stability of the eurozone remain. Consumer confidence is key, and although the Nationwide/TNS-RI confidence index rose by nine points to 47 in January from a near-record low of 38 in December, it is still two points below its level a year ago and 29 points below its long-run average of 76.

Confidence may be fragile, but there are positive signs of strength in the core businesses of the organic market. Soil Association Certification, the UK's leading certifier of organic food and farming, reports that the turnover of its licensees increased by 0.5% from April 2011 to January 2012. Many of these businesses, which represent 70-80% of the market as a whole, have achieved continuing growth through innovation, export and the supply of new markets – including the catering demand created by the Soil Association's Catering Mark.

Another positive indicator for a revival of overall growth in the UK organic market is the strong growth in sales worldwide. In key global organic markets, growth has been continuous since the start of the recession in late 2008. The United States, the world's largest organic market, grew by 8% in 2010 and 5% in 2009, following double-digit growth figures for each of the previous five years. All the main European markets expect double-digit growth in 2012. Denmark has seen rapid growth since 2006, and is anticipating annual growth of 12-18% over this year and next. Other growing European markets include the Netherlands and Sweden (both up 13%), Belgium and Italy (up 10%), and France (up 12%).

Further afield the organic market in China has quadrupled in the past five years, while Organics Brasil reports an annual growth rate of 40% in the Brazilian market. Market analysts predict that organic sales in Asia will grow by 20% a year over the next three years.

The only significant exception to this positive story is UK organic sales through the large supermarkets. While UK sales grew in 2011 for specialist organic retailers, internet businesses such as Ocado and the catering market, the UK is more or less on its own in seeing a drop in supermarket sales. The Soil Association believes that there needs to be a change in approach both by major retailers and by the UK Government to bring the UK back into step with global growth.

As this report highlights, only Waitrose has seriously invested in and promoted its organic ranges in the past year. Own-label sales have fallen sharply across the board, reflecting an apparent complacency, allowing the supermarkets' hard-won share of the organic market to fall still further. Nearly all the supermarkets\* have told the Soil Association that they anticipate a further drop in sales in 2012 and they appear to be planning with that in mind, creating a defeatist climate in which decline becomes a self-fulfilling prophecy. Some have gone in just three years from positive 'choice editing' (offering only organic options on some lines) to negative choice denial (offering no organic option at all).

The mood in the independent sector is more optimistic. In reviewing the results of a survey of the Soil Association's top 100 licensees conducted for this report, there is a striking contrast between the outlook of those supplying the supermarkets and those in the independent sector.

\*ie. the Co-operative, Marks & Spencer, Morrisons, Sainsbury's and Tesco

Among respondents citing multiple retail as their biggest market, 58% anticipate that their turnover will fall or remain static in 2012. Among those whose main focus is independent retail or direct sales, 87% predict growth.

The better results achieved by Waitrose and Lidl and the healthy growth in 2011 achieved by leading independents – including Abel & Cole, Riverford, Planet Organic, Ocado and As Nature Intended – show the continuing consumer appetite for organic products. They also show the potential for expansion when retailers are prepared to invest, innovate and take organic consumers (with their wider spending power) more seriously.

Stronger leadership from government also has a part to play. Another sharp contrast highlighted by this report is the difference between the climate for organic production in Scotland (where the organic land area has fallen significantly but the Scottish Government's new action plan has boosted confidence and galvanised the industry) and the mood in Wales (where the support of the Welsh Assembly Government appears to be wavering and uncertainty is rife).

In 2011 the Soil Association published *The Lazy Man of Europe*, a report that contrasts 'the passive role of successive UK governments in supporting organic food and farming' with the approach of most other European countries, which it says have 'acted confidently to normalise and champion organic food and farming'. It highlights that despite the economic downturn there has been strong growth in sales of organic food in a number of countries – including Austria, Denmark, France, Germany and Switzerland. It partly attributes this success to a decisive shift in public policy, and urges the UK government to follow the lead of its European counterparts in sourcing and promoting organic food and drink.

## Recipe for success

This report **proves** there is **strong demand** for organic products where there is:

- ▶ **positive messaging** about why consumers should choose organic
- ▶ **product innovation**
- ▶ a supportive **policy environment** set by national government



# Soil Association trade support

The Soil Association is committed to helping get the UK organic market back to growth and working with businesses across the sector to achieve success. Its activities include:

- ▶ Lobbying government and the retailers on behalf of organic consumers and businesses to invest in organic production and products
- ▶ Researching and publishing reports such as *The Lazy Man of Europe* and the *Organic Market Report* to highlight key trends, publicise issues of concern and challenge policy makers
- ▶ Supporting market development by bringing together all the links in the supply chain and leading new initiatives such as the Food for Life Catering Mark and ethical trade certification
- ▶ Organising Organic September and championing it as an opportunity for organic businesses and retailers to work together in promoting organic products
- ▶ Staging the annual Organic Food Awards and supporting the organic categories in the Natural and Organic Products Awards to highlight outstanding products and recognise innovation
- ▶ Organising regular trade briefings to share the latest news and market data with leading companies in the organic market, supporting well informed and effective marketing of organic products
- ▶ Providing a series of learning and networking events for organic farmers, growers and newcomers to the industry, facilitating the sharing of best practice
- ▶ Publishing *Living Earth* and *Organic Farming*, leading magazines for organic consumers and producers respectively.
- ▶ Providing dedicated business development support across all sectors to help market development.

For more information about trade support services please contact:

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## **Organic Market Report 2012**

Written by Martin Cottingham (independent researcher, writer and editor), with Soil Association staff Emma Rose, Jim Twine, Finn Cottle and Tim Perrett. For full contributors' credits and details of research methodology see [www.soilassociation.org/marketreport](http://www.soilassociation.org/marketreport)



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Luke Hasell, director of The Story Group

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