

Organic market report 2009



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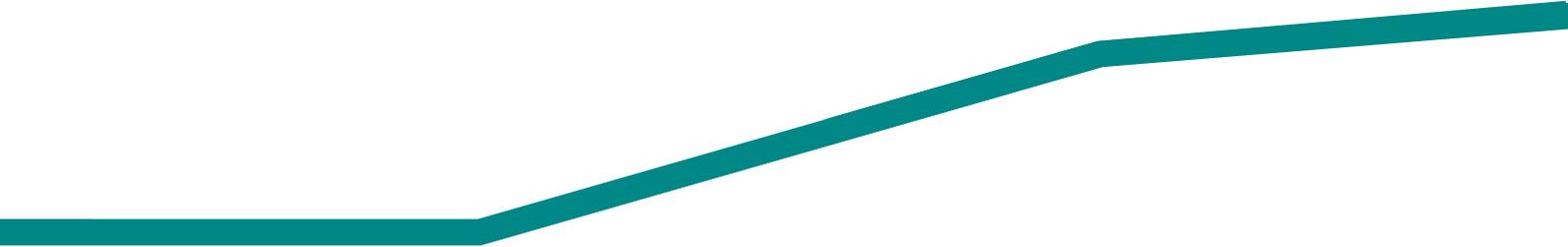
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Foreword



Statistics published in February and March 2009 show no let-up in the financial downturn that has gripped the UK economy since last summer. In the past year GDP has fallen by 1.9%, unemployment has increased by 1.3%, and retail sales have dropped by 1.8%.

Against this background it is encouraging to report that sales of organic food increased by 1.7% last year – in marked contrast to the prophecies of doom made by some. This growth points to some underlying resilience in the organic market, suggesting that it has the potential to grow dynamically once the economy picks up.

No sector of industry has been immune, however, to the chill wind of recession blowing since October 2008. Organic shoppers, like all consumers, have clearly been tightening their belts – by shopping less often, buying fewer premium products and prepared foods, and switching to lower-cost retailers. The overall growth in organic sales by value masks a net decline in the sales volume of a fair few categories of organic food products during the year. The picture is mixed, with dynamic growth in sales of organic food through farmers' markets and at Asda, as well as in some new, and still small, areas of organic sales such as textiles and health and beauty products.

In the UK, economic conditions are particularly tough because of the significant burden of mortgage and consumer debt, and the pivotal role played in the economy by the beleaguered financial services industry. In some other European countries the credit crunch appears to have hit less hard so far, and demand for organic products has held up better than in the UK. It is difficult to predict how the global organic market will fare in 2009, however. Global sales of organic food and drink exceed £23 billion and grew by £2.5 billion in 2007, but we do not yet have the kind of clear picture on European and global sales in 2008 and early 2009 that this report provides for the UK.

Importantly for the UK market, this report does show that there is a core of consumers who are in no mood to ditch their commitment to organic products. They are far more likely to cut their spending on eating out, leisure activities and holidays than to reduce what they spend on organic food. They would rather economise by buying cheaper cuts of organic meat or by buying frozen organic vegetables than by compromising their organic principles. Thirty-six per cent of these committed organic consumers expect to spend more on organic food in 2009, and only 15% expect to spend less.

Some organic enthusiasts who are finding it tough to make ends meet may turn to the UK's rich variety of independent outlets such as farm shops, farmers' markets and box schemes. Price comparisons over the past year have shown organic fruit and vegetables to be consistently cheaper through box schemes than through the leading supermarkets, with the bonus that producers receive a bigger share of the price paid by the consumer.

Whatever happens to organic sales in 2009, there are huge changes ahead in farming which are sure to favour organic production. The government has agreed to cut greenhouse gas emissions by 80% by 2050. Such cuts can only be achieved in agriculture by deriving fertility from sunshine and organic matter – as organic farmers do – rather than from fossil fuel-based chemical fertilisers. It is ironic that the recession

has triggered a slowdown in sales at the very point when policy makers are expressing unprecedented interest in sustainable food systems.

It is clear from this report that much more work needs to be done to communicate the wider benefits of organic production to the public, especially in relation to health, animal welfare, climate change and the environment. The economic downturn has given increasing profile to 'single issue' market alternatives such as free-range, local, pesticide-free, fair trade, seasonal and 'natural' foods. Consumers have plenty of different ethical options – so many, in fact, that the choice can be bewildering.

To cut through the confusion the organic movement needs to demonstrate more forcefully than ever that organic principles encompass all these single issues and deliver a set of interlocking benefits that can and will still motivate consumers.

Where understanding of these interlocking benefits is limited, consumer commitment may be limited too – particularly in tough times. As we hear from a succession of voices in this report, however, those with a sophisticated understanding of all the benefits are the ones most likely to become or remain committed buyers – they know too much to turn back.



Peter Melchett
Policy Director

Executive summary



Key statistics

- UK sales of organic products increased overall by 1.7% in 2008 to over £2.1 billion, growing strongly in the first six to nine months and then falling back in the face of the economic downturn in late 2008 and early 2009
- Sales through multiple retailers increased by 1.8% to £1.54 billion; sales through independent retailers are up 1.4% to £568 million
- Ninety per cent of UK households buy organic products
- Dairy products account for 29.5% of spending; fresh fruit and vegetables for 26.2%; red meat and poultry for 8.9%; beverages for 8.6%
- Sales of organic cotton increased by 40%; total UK sales of organic clothing and textiles reached £100 million
- Sales of organic health and beauty products increased by 69% to £27 million
- Global sales of organic food and drink reached an estimated £23 billion by the end of 2007 – an annual increase of 7%
- Organic production accounts for 0.65% of global agricultural land. Organic farming is practised in more than 140 countries on over 1.2 million farms
- The amount of land managed to organic standards in the UK increased by 10% in 2007 to 676,387 hectares (ha). Organic farmland accounts for 3.9% of the UK's agricultural land area.

Context and analysis

Growth and the downturn

The UK organic market continued to grow in the first half of the year but sales dipped from late summer onwards as a consequence of high food price inflation and economic uncertainty. The net result was a year in which sales increased slightly, by 1.7%, in contrast with expectations of significant decline.

Sales of organic products dipped dramatically for some retailers in October, November and December 2008 – a challenging period for the economy and the retail market as a whole. But there are some signs of sales steadying since then. Tesco, for example, told the Soil Association in February that sales of organic fruit and vegetables – which account for 42% of its organic turnover – had started to pick up again.

The market continued to grow overall in the calendar year 2008 to which this report refers because the proportion of households eating organic increased, and because the average spend on organic products per shopping trip rose – partly a reflection of high food price inflation. An unprecedented nine out of ten UK households now buy organic food, compared to 76.5% five years ago. This shows the extent to which organic products have entered the mainstream and continued to widen their appeal.

A number of retailers are reporting strong sales of products such as organic frozen vegetables, canned food, cheaper cuts of organic meat and dilutable organic squash

drinks as shoppers look to economise but in some cases continue to buy organic products. This points to a core of committed consumers who may be tightening their belts but are determined to stick to their organic principles.

Among the most committed organic consumers – the 15% who say they commit 40% or more of their household food and drink spending to organic products – 36% expect to spend more on organic food this year and only 15% expect to spend less. This group is more than three times as likely to economise on eating out, leisure activities, holidays, home entertainment and alcohol as it is to spend less on organic food.

Most retailers anticipate that sales of organic food will be level at best in 2009, but there is a measure of hope and expectation that the current downturn will ultimately be a temporary blip on the upward curve of ethical consumerism.

The organic consumer

When organic consumers were asked in an opinion poll for the Soil Association to estimate what proportion of their household food and drink spending was organic, 15% said that organic products accounted for 40% or more of what they spent. A third estimated that they spent 20 or 30%, while 48% said it was 10% or less.

Taylor Nelson Sofres notes that those in the C2, D and E social groups – which cover manual and casual workers, pensioners, students and people on benefits – now represent 50% of organic consumers and account for 35% of spend. Consumers on higher incomes – those from the A, B and C1 socio-economic groups – also represent 50% of organic consumers and account for 65% of spend.

The Soil Association's Market Tools/ZOmnibus opinion poll for *The Organic Market Report 2009* asked organic consumers to rate the importance of nine factors in motivating them to buy organic products – quality and taste; avoiding pesticide residues; animal welfare; fair prices/wages for farmers; wildlife conservation; avoiding food additives; avoiding GM ingredients; wanting to know where food comes from; and concern about climate change.

All nine were regarded as important by more than three-quarters of respondents, emphasising both the appeal of organic products across a broad range of issues and the importance of communicating diverse benefits to sustain the market.

Among respondents who did not currently buy organic food, over a quarter agreed that 'I would like to know more about organic products than I do'. This suggests that there is interest in organic products among non-buyers, with some potential to broaden the market still further in the future.

Retail sales and trends

Sales through the multiple retailers increased by 1.8% in 2008, reaching an estimated £1.54 billion, while sales through non-multiple retail outlets (including box schemes, mail order, farm and health-food shops, farmers' markets and catering establishments) increased by 1.4% to £568 million.

Farmers' markets are the conspicuous exception to the general levelling off in organic sales through independent channels, recording sales growth of an estimated 18.6% to £23.7 million in 2008. Around £11 million is now spent on organic products through independent retailers every week.

The three supermarket groups with the biggest organic market shares – Sainsbury's, Tesco and Waitrose – saw their sales fall to some extent in 2008. Sales also dropped at Marks and Spencer but increased at Asda and Morrisons as some cash-conscious shoppers switched allegiance to retailers with lower prices.

Asda was the most successful multiple retailer in terms of organic sales growth. It increased its sales of organic products by 25% in 2008 and increased its share of the market from 8% to around 10%. The Co-operative also achieved double-digit percentage growth, increasing sales by 15%.

Product sales and trends

Dairy products and fresh fruit and vegetables were the most heavily purchased organic products in 2008, accounting for 29.5% and 26.2% of spending respectively. Six per cent of spending went on organic red meat, 3.9% on eggs and 2.9% on poultry.

The area of most striking growth in 2008 was in sales of non-food products. It is estimated that sales of organic clothing and textiles topped £100 million for the first time, with sales of organic cotton products increasing by 40%. Sales of organic health and beauty products reached £27 million – up 69% on 2007.

Sales of organic milk, cheese, meat and poultry grew by 10.6%, 11.5%, 13.3% and 17.7% in 2008. This bucked the recessionary trend in a year in which animal welfare issues attracted a high public profile, thanks to television exposure of the poor treatment of poultry and other livestock in industrial farming.

Sales of organic home cooking ingredients increased by a remarkable 13.5% in 2008. This could be attributed to an enthusiasm for cooking from scratch among organic consumers and to a trend towards saving money on processed products during the current downturn. Sales of organic chilled convenience foods fell by 5.9%.

Organic farming in the UK

Between January 2007 and January 2008 the amount of land managed to organic standards increased by 10% to 676,387ha. Organically managed land now accounts for approximately 3.9% of the UK's agricultural land area. The area of fully organic land increased by 5%, reaching 520,489ha, while the area of land in conversion increased by 31%. There were 4,955 organic producers in the UK in January 2008, 7% more than a year previously.

For UK producers 2008 was a turbulent year. They faced poor weather and harvests, in combination with high fuel and feed costs, all against a background of growing market volatility and economic uncertainty. Organic vegetable producers experienced two of the worst growing seasons for 30 years in 2007 and 2008, characterised by reductions in yields and in some cases entire crop failures. A number of livestock producers have reduced production in the face of high feed prices and faltering demand. UK organic pork production, for example, is expected to dip in 2009 by around 40%.

Despite tough market conditions for many producers, there are significant opportunities to increase UK organic vegetable and fruit production to meet demand and reduce reliance on imports. Although organic livestock systems are moving towards increasing reliance on grass and forage, there are still opportunities to extend organic arable farming, as the UK is heavily reliant on imported organic grains and protein crops for both animal feed and human consumption.

Consistent with previous years, organic farms of all types continue to achieve a higher net income in comparison to non-organic farms.

The price gap between organic and non-organic is narrowing in a number of sectors. There is currently an opportunity to sell organic beef and lamb, for example, at little or no premium, broadening the market and challenging the misconception that organic always means expensive. In the longer term the high price and increasing scarcity of oil and gas, and the consequent increase in the cost of artificial nitrogen fertiliser, will continue to increase the relative cost of non-organic compared to organic food.

Current market conditions may give a competitive advantage to producers and retailers selling locally produced organic food. Shorter supply chains can mean lower handling, packaging and transport costs. The sterling-euro exchange rate made imported produce and inputs more expensive in 2008, giving a boost to UK producers in both domestic and export markets. This looks likely to continue to benefit UK producers through 2009.

A consumer perspective **Dorothy McKenzie, Dragon Rouge**

The recession is forcing many consumers to question and justify their choices and to prioritise what's most important to them. While people may want to economise on what they spend on food, many continue to look for quality – whether this is in terms of provenance and taste or about ethics and environmental impact.

Organic products are perceived by most people to be expensive, so it is no surprise that shoppers are looking for value for money. Some are buying organic products at less expensive retailers, turning to farm shops, or even growing their own.

It is more important than ever for organic products to be seen as mainstream staples rather than special occasion luxuries. This means that they must be both affordable and widely available. Consumer understanding of the benefits of organic production is still patchy, and there continues to be a real need for clear, engaging communication to explain and promote these.

Brands such as Yeo Valley and Organix will help to maintain consumer awareness and interest in organic food through the recession, as they can communicate successfully to a wide audience the many benefits of choosing organic products – taste, quality, health, naturalness, animal welfare, lower environmental impact. These benefits are clearly important contributors to the 'value for money' equation; the stronger the perception of these benefits, the better value organic products will appear.

Major multiple retailers, fixated by price wars, may temporarily lose interest in promoting organic products, which will create opportunities for independent retailers, and for manufacturer brands over retail own brands. As people eat at home more, increasingly cooking from scratch, the quality of ingredients will become more important, creating further opportunities for organic raw materials and cooking components.

Consumer appreciation of the environmental advantages of organic production lags behind perception of taste and health benefits, but the environmental advantages are increasingly important. This is one area where the public sector should be expected to take the lead, reflecting its sustainability commitments in procurement policies that make organic products widely available in schools, hospitals and the canteens of government departments and organisations.

Consumer interest in the benefits offered by organic products is deep and long term, and it is particularly important now for the organic sector to explain these benefits in an inspiring way to demonstrate that organic offers true value for money.

Dorothy McKenzie is Chairman of Dragon Rouge, a branding consultancy whose clients include over 50 leading retailers and food and drink companies. She specialises in consumer brand strategy, innovation and the incorporation of sustainability issues into marketing.

'As people eat at home more, increasingly cooking from scratch, the quality of ingredients will become more important'



The organic consumer

This section of *The Organic Market Report 2009* provides an insight into who is buying organic products, what products they are buying and where they are buying them. It examines motivations for purchase, including what might inspire non-buyers to buy.

It also looks at the likely impact of the economic downturn on consumer spending plans. It shows that while occasional buyers of organic food are likely to spend less in the coming year, there is a committed core of consumers who are more likely to increase their expenditure on organic food while economising in other areas of household spending.

The information in this section comes from two sources:

- Data from Taylor Nelson Sofres (TNS) Worldpanel, which monitors the spending habits of a demographically representative group of 25,000 UK households¹
- An omnibus poll conducted on behalf of the Soil Association at the end of January 2009 by Market Tools/ZOmnibus, questioning a demographically representative sample of a thousand adults.²

1 A demographically representative group is one in which the proportions of people in terms of gender, socio-economic grouping, age and region of residence reflect these factors in the general population.

2 The exact number of people polled was 1,054 to ensure a demographically representative sample.

Who buys, and how often

The UK organic market grew by 1.7% in 2008 as consumers continued to show their enthusiasm for organic products – despite a noticeable dip in sales in the final quarter of the year as the economy was gripped by recession.

Nine out of ten UK households buy organic food, according to TNS data, compared to 76.5% of households five years ago. This shows the extent to which organic products have entered the mainstream and continued to widen their appeal. Organic food attracts shoppers of all income levels from a wide range of backgrounds.

TNS notes that those in the C2, D and E social groups – which cover manual and casual workers, pensioners, students and people on benefits – now represent 50% of organic consumers and account for 35% of spend. Consumers on higher incomes – those from the A, B and C1 socio-economic groups – also represent 50% of organic consumers and account for 65% of spend. The age group who spend most on organic food are those aged between 35 and 44, who account for 19% of organic shoppers but 25% of spend.

On average, UK consumers purchased organic products 18 times in 2008, a little less than the 19 times a year average in 2007. The average spending per household per year also fell, from £51.28 in 2007 to £50.55 in 2008. Despite this the market continued to grow in 2008 because the proportion of households eating organic increased, and because average spending on organic products per shopping trip rose.

Market Tools/ZOmnibus found that 79% of respondents had bought organic products in the past year – see Figure 1. This is lower than the 90% of households buying organic reported by TNS because it represents those who believe they have bought organic products, whereas the TNS figures reflect actual spending. In other words, approximately one in nine organic consumers might be estimated to have bought an organic product

without remembering they had done so, or without being aware of doing so.

Market Tools found that women were more likely to have bought organic products than men (81% vs 76%). The proportion of people who said they never bought organic food was highest among the 18–34 age group (23%) and lowest among the over-55s (13%). There was relatively little difference in the proportion of people buying organic products between the highest-earning AB grouping (83%) and the most disadvantaged DE grouping (75%).

How the organic pound is spent

TNS Worldpanel data that track spending in the UK show that dairy products and fresh fruit and vegetables are the most heavily purchased organic products, accounting for 29.5% and 26.2% of spend respectively. Vegetables alone account for 16.3% of spend and milk for 13%. Six per cent of spending goes on fresh red meat, 3.9% on eggs and 2.9% on poultry.

A TNS summary of the main categories of take-home spending is provided in Table 1, together with figures to show the extent to which sales increased or fell in 2008. Milk, cheese, meat and poultry all enjoyed double-digit percentage growth, increasing sales by 10.6%, 11.5%, 13.3% and 17.7% respectively.

TNS attributes the growth in sales of livestock products to heightened public awareness about animal welfare issues in 2008 – a year which kicked off with high-profile campaigning by Jamie Oliver and Hugh Fearnley-Whittingstall on poultry welfare. The growth in sales suggests that organic products are capable of resisting the impact of the economic downturn if the benefits of purchasing are communicated powerfully to the consumer.

The high proportion of spending that goes not only on fresh produce but also on home cooking ingredients (4.7%) suggests a particular enthusiasm among organic consumers for cooking from scratch. Perhaps reflecting this enthusiasm and/or an increased appetite for saving money on processed products in the recession, sales of organic home cooking ingredients such as flour and pulses increased by 13.5% in 2008 while sales of organic chilled convenience foods fell by 5.9%.

When asked in the Market Tools/ZOmnibus poll to estimate what proportion of their household food and drink spending went on organic products, nearly half of organic consumers said it was 10% or less – see Figure 2. Another third estimated that they spent 20 or 30%. Fifteen per cent said that organic products accounted for 40% or more of what they spent.

According to Market Tools/ZOmnibus, the products bought by the highest proportion of organic consumers were vegetables (85%), fruit (79%) and dairy products (58%). Table 2 provides a breakdown of a selection of products and the proportion of organic consumers who said they had purchased them in the past year.

Where the organic pound is spent

Market Tools/ZOmnibus found that a bigger proportion of organic consumers said they bought organic products from Tesco (53%) than said they bought from any other retail outlet. Tesco was followed in the supermarket stakes by Asda (37% of organic consumers said they bought organic products there), Sainsbury's (35%) and Morrisons (28%).

Twenty-five per cent of respondents to the Market Tools/ZOmnibus poll said they bought organic products from farmers' markets, 24% from farm shops and 21% from

Figure 1
Frequency of purchase of organic products³

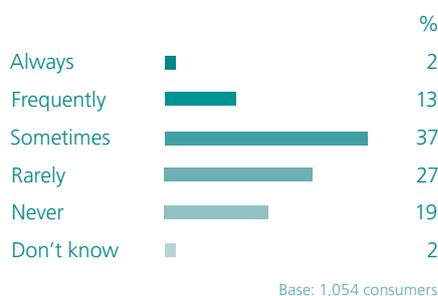
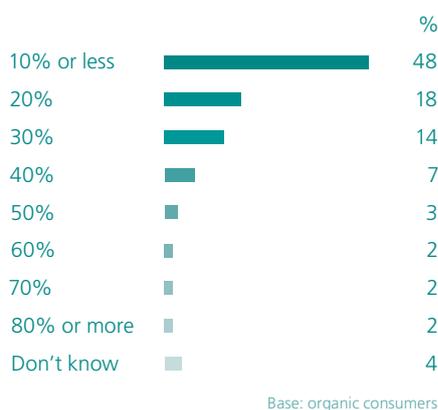


Figure 2
Proportion of household food spending that goes on organic products, according to organic consumers' own estimates⁵



local greengrocers, butchers, bakers and other high-street independent retailers. Three per cent said they had a weekly vegetable box or other home delivery.

TNS reports that 85% of UK shoppers buy organic products from at least one of the four biggest multiple retailers – Tesco, Sainsbury's, Asda and Morrisons. The average UK shopper buys an organic item at least once a month from one of these four retailers.

Table 1
Areas of organic consumer 'take home' spending and rate of growth⁴

Category of organic sales	Percentage of overall consumer spending on organic products	Change in value of sales, 2007 to 2008
Vegetables	16.3%	-4.9%
Milk	13%	10.6%
Fruit	8.6%	-13.5%
Yoghurt	8.1%	1.5%
Fresh red meat	6%	13.3%
Home cooking ingredients	4.7%	13.5%
Eggs	3.9%	2.2%
Chilled convenience foods	3.9%	-5.9%
Bread and bakery	3.8%	-18.2%
Biscuits	3.5%	13.4%
Hot beverages	3.2%	0.7%
Cheese	3%	11.5%
Alcohol	3%	21.9%
Fresh poultry	2.9%	17.7%
Soft drinks and juices	2.4%	-7.9%
Breakfast cereal	2.1%	0.3%
Canned goods	1.6%	4.6%
Fish	1.4%	-18.7%
Crisps, nuts, savoury snacks	0.8%	-6.6%
Frozen foods – savoury	0.8%	-0.1%
Ice cream and other frozen desserts	0.7%	13.7%
Pickles and condiments	0.7%	2.4%
Confectionery	0.2%	-21.3%
Pet care	0.2%	-1.6%

3 Market Tools/ZOmnibus, January 2009.

4 TNS Worldpanel data. This covers take-home spending, as it is limited to purchases that shoppers bring home and register on the scanning devices provided to them by TNS. It does not cover impulse purchasing (retail purchases that are consumed 'on the go' outside the home) and foodservice (products bought and consumed at catering outlets).

5 Market Tools/ZOmnibus, January 2009.

Motivations for purchase

Our Market Tools/ZOmnibus poll asked organic consumers how important a range of factors were in motivating them to buy organic products. They were asked about nine possible motivations – quality and taste; avoiding pesticide residues; animal welfare; fair prices/wages for farmers; wildlife conservation; avoiding food additives; avoiding GM ingredients; wanting to know where food comes from; and concern about climate change.

It is significant that each of these nine motivations was rated as important by more than three-quarters of respondents. This emphasises that the perceived benefits of organic products extend across a range of issues. It also shows how important it is

for the organic movement not to neglect any of these issues in its marketing and communications, as each has a part to play in motivating initial purchase and sustaining consumer commitment.

The most significant factor of the nine was quality and taste – rated as important ⁷ by 91% of respondents. This was closely followed by animal welfare (considered important by 86% of respondents), fair prices/wages (85%) and avoiding artificial colouring or additives (84%).

Previous qualitative research has suggested that most people regard GM food as a ‘problem’ that has been ‘solved’ as far as the UK is concerned, because GM food products have been removed from the shelves. It is remarkable, therefore, that avoiding GM ingredients remains a motivating factor in choosing organic products for as many as 77% of organic consumers – a group for whom GM food is clearly still a major concern.

It is also remarkable that a relatively new issue – ‘the impact made by producing and transporting food on greenhouse gas emissions and climate change’ – has become important for 78% of organic consumers. There is still much work to do to raise awareness of the high proportion of our carbon footprint – 30% – that is associated with the food we eat. But the findings of this poll suggest that the message is starting to get through.

Table 3 ranks the nine motivations according to what proportion of organic consumers regarded them not just as important but as extremely important. On these terms, avoiding GM ingredients becomes a more significant issue, second only to quality and taste in the strength of feeling it attracts. It is noticeable here that motivations with a possible health implication (GM, pesticides and additives) seem to be compelling for more people than those with environmental or social implications (wildlife, climate change and fair trade).

The Market Tools/ZOmnibus poll also explored what might persuade those who do not currently buy organic products to do so. It found that evidence of health benefits was the factor likely to be most compelling, with 38% of non-buyers agreeing that

Table 2
Organic products that organic consumers say they have purchased in the past year ⁶

Category	Bought frequently	Bought sometimes	Not bought	Don't know
Vegetables	20%	65%	12%	4%
Fruit	18%	61%	17%	4%
Dairy	12%	36%	46%	5%
Meat	12%	44%	36%	6%
Fruit drinks and juices	7%	36%	50%	8%
Confectionery	6%	37%	50%	7%
Hot drinks	9%	33%	50%	7%
Flour, bread and cereals	5%	36%	48%	7%
Pasta, noodles and rice	6%	32%	56%	7%
Health and beauty products	5%	27%	59%	9%
Oils	6%	24%	61%	9%
Fish	7%	23%	62%	9%
Convenience foods and ready meals	4%	23%	64%	9%
Clothes and textiles	3%	21%	65%	12%
Baby food	4%	9%	82%	5%

Base: organic consumers

'I might be persuaded to buy organic products if I was convinced they were better for me'. Around a third of respondents said they might be persuaded by animal welfare and environmental benefits – see Table 4.

Over a quarter of respondents agreed that 'I would like to know more about organic products than I do'. This suggests that there is interest in organic products even among the 21% of households that are not consciously buying them, and some potential for widening the current consumer base still further. It shows the importance of continuing to raise public awareness through the media, on packaging, at point of sale and through initiatives such as the Soil Association's organic farm network. Interest in knowing more about organic products was particularly strong among women (31%), people in Scotland (36%) and the over-55s (40%).

This part of the poll also shows the importance of improving the availability and accessibility of organic products, as more than a quarter of respondents said they might be prepared to buy if there was a greater variety of products available to them locally, or if organic variants of their favourite brands were available.

6 Market Tools/ZOmnibus, January 2009.

7 The poll offered respondents six options for each motivation: extremely important, very important, quite important, not very important, not at all important and 'don't know'. The figures quoted here are derived from combining those for the extremely important, very important and quite important categories.

8 Market Tools/ZOmnibus, January 2009.

Table 3
Most compelling factors in motivating consumers to buy organic products

Motivation to purchase	Percentage of organic consumers considering this motivation 'extremely important' to them
Quality and taste	31%
No GM ingredients	26%
High animal welfare standards	25%
Avoiding food grown with pesticides	25%
Avoiding artificial colouring or additives	23%
Wanting to know where my food comes from	22%
Fair prices and wages for farmers and workers	20%
Farming methods that encourage wildlife	20%
Impact made by producing and transporting food on greenhouse gas emissions and climate change	14%

Base: organic consumers

Table 4
Factors that might motivate non-buyers to buy organic products⁸

Statement	Agree	Disagree	Don't know
I might be persuaded to buy organic products if I was convinced they were better for me than non-organic products	38%	42%	20%
I might be persuaded to buy organic meat/dairy products/eggs if I was convinced that animals were better treated on organic farms	32%	45%	23%
I might be persuaded to buy organic products if I was convinced they were better for the environment than non-organic products	33%	45%	22%
I might be persuaded to buy organic products if I was convinced that I was helping to tackle climate change by doing so	28%	47%	25%
I might be persuaded to buy organic products if there was a greater variety of them available locally to me	25%	50%	25%
I might be persuaded to buy organic products if companies offered organic versions of my favourite brands	27%	51%	22%
I would like to know more about organic products than I do	26%	53%	21%

Base: non-organic consumers



The effects of the downturn on spending plans

To consider the potential impact of the economic downturn on organic food sales, Market Tools/ZOmnibus asked whether consumers expected to spend less, more or 'about the same' in 2009 on organic food and 13 other categories of household spending.

Responses indicate an appetite for economising across the board – household fuel is the only one of the 14 categories where more consumers expect to increase their spending than expect to spend less. The leisure industry is the part of the economy that is likely to be hit hardest, with more than 50% of respondents expecting to spend less on holidays, eating out, alcoholic drinks, leisure activities such as cinema visits, and home entertainment such as CDs and computer games – see Figure 3. Fewer than 10% of respondents expected to spend more in each of these areas.

Food is one of the areas where people seem to be least likely to expect to economise. Polled at the end of January 2009 after a year of high food-price inflation, only 24% of respondents expected to spend less on food, a lower percentage than for any other category except fuel bills. Twenty per cent expected to spend more, and 53% about the same.

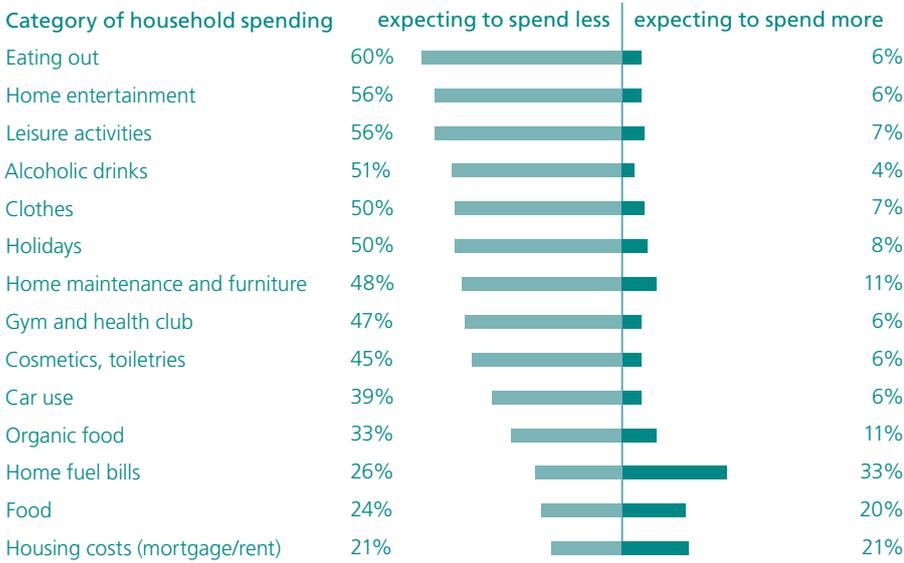
Respondents appeared more likely to economise on organic food than on food as a whole, with those expecting to spend less on organic products outnumbering those expecting to spend more by three to one. But organic food is still only 11th on the list when the 14 categories of household spending are ranked according to how high a proportion of consumers were expecting to economise on them in the coming year.

Most encouragingly for the organic movement, there is a core of the most committed consumers who appear undeterred by the economic downturn – see Figure 4. Among those who commit 40% or more of their household food and drink spending to organic products, 36% expect to spend more on organic food this year and only 15% expect to spend less. For this group, organic food is bottom of the list of 14 categories of household expenditure when it comes to assessing the likelihood of spending less than in 2008. This group are more than three times as likely to economise on eating out, leisure activities, holidays, home entertainment and alcohol as they are to spend less on organic food in the coming year.



Figure 3
Spending expectations of UK consumers in 2009⁹

Question: Are you expecting to spend less, or more, in the following areas this year?



Base: 1,054 consumers

9 Market Tools/ZOmnibus, January 2009.

10 *ibid.*

Figure 4
Spending expectations in 2009 of the heaviest spenders on organic products¹⁰

Question: Are you expecting to spend less, or more, in the following areas this year?



Base: Consumers who estimate that 40% or more of household food and drink spending goes on organic products

A multiple retail perspective **Stephen Grey, Asda**

Multiple retailers have seen a large increase in organic sales over the past three to four years, but this report shows that sales are levelling off in the face of the current economic downturn.

At a time such as this, it is important for organic food to be distributed, promoted and presented in as uncomplicated a way as possible. That means supply routes from producers to the retailer need to be more straightforward. The opportunities for local supply into local outlets have never been better, and should be sought after by multiples and growers alike.

It also means we should reflect carefully on how and when consultations on issues such as the airfreighting of organic produce are conducted. These issues will not go away, and they need to be debated and resolved. But we need to be wary of such debates restricting the marketing and promotion of organic food to the mainstream masses.

Educating the public remains a weaker aspect of the organic movement. The 'dark greens' tend to be conversant with the methods and benefits of organic production. But the past decade has seen a massive influx of new organic purchasers whose knowledge is limited, and this needs to be addressed. Limited knowledge means limited understanding, which in a recession will cause support to waver.

For too many shoppers 'organic' means merely 'pesticide free'. This may pose problems now that some non-organic fresh produce is being explicitly and successfully marketed as pesticide free. If the organic movement is not careful, and if it does not improve its communication of all the benefits of eating organic, sales of organic produce could suffer.

Another challenge on the pesticides front is the introduction of the new EU regulation 396/2005/EC in September last year. This legislation has brought into force maximum residue levels for a number of plant protection products that are permitted within organic production. It is important for all organic producers to carefully consider applications, harvest intervals, residue testing methods and the consequences of failing to adhere to the legislation. Non-compliance will affect the whole organic industry and not just the product and persons involved.

The organic market will find new levels in the current economic climate. But the future remains one where customers will want to buy organic, and it is up to everyone in the supply chain to continue to provide access to relevant, inspiring products that help to nurture and expand the market.

Stephen Grey is Asda's Technical Manager for organic produce.

'If the organic movement does not improve its communication of all the benefits, sales of organic produce could suffer'



Retail sales and imports

In 2008 retail sales of organic products in the UK were worth an estimated £2.113 billion – an increase of 1.7% on 2007. The market continued to grow in the first half of the year but sales dipped from late summer onwards, as a consequence of high food price inflation and economic uncertainty. The net result was a year in which sales increased slightly, further extending two decades of uninterrupted growth.

Sales through the multiple retailers increased by 1.8% in 2008, reaching an estimated £1.545 billion. The three supermarket groups with the biggest organic market shares – Sainsbury's, Tesco and Waitrose – saw their sales fall to some extent. Sales also dropped at Marks and Spencer but increased at Asda and Morrisons as some cash-conscious shoppers switched allegiance to retailers with lower prices.

Sales through non-multiple retail outlets (including box schemes, mail order, farm and health-food shops, farmers' markets and catering establishments) increased in 2008, edging up from £560 million to an estimated £568 million. This represents a growth rate of 1.4%, following growth of 14% in 2007. Independent retail accounted for 26.9% of the organic market in 2008.

Farmers' markets are the one conspicuous exception to the general levelling off in organic sales through independent channels, recording growth in their sales of organic products of an estimated 18.6% in 2008.

Most retailers anticipate that sales of organic food will be level at best in 2009, but there is also an expectation that the current downturn will be a temporary blip on the upward curve of ethical consumerism. It is to be hoped that the multiple retailers will step up their investment in promotional activity to encourage the market to pick up, as Mintel reported last year that spending on the advertising of organic products by the supermarkets had declined since its peak in 2006.¹¹

Multiple retailers

Most multiple retailers¹² continued to register healthy levels of growth in sales of organic food in the early months of 2008. All experienced some degree of slowdown in growth or outright decline in sales in the months of economic upheaval from late summer onwards.

Asda

Asda increased its sales of organic products by 25% in 2008, one of two leading multiple retailers to achieve double-digit growth. It consolidated its position as the fourth-largest retailer of organic food and drink, increasing its share of the market from 8% to around 10%, and hopes to secure a 15% market share by the end of 2009.

Asda's biggest success was in sales of organic fruit and vegetables, which increased by 60% after the decision was taken to abandon a separate organic section and integrate produce with the non-organic equivalent. A similar process of integration is planned for processed products in 2009.

11 Mintel (2008) *Organics* Mintel Market Intelligence, October 2008.

12 Retail shops with more than ten outlets.

Sales of organic meat, cereals and bakery products increased by 25%, 16% and 12% respectively. The only category to disappoint was fish, where sales fell by 14%.

Asda made welcome progress on UK sourcing in 2008, an area where it has been lagging behind other retailers. It sold its first crop of UK-produced organic apples and bought 20% of its organic beef from UK producers after importing all its supplies in 2007. Around half its organic soft fruit and half its organic vegetables were grown in the UK in 2008, including 37% of onions, 46% of potatoes and 88% of carrots.

Despite this success over 2008 as a whole, sales have fallen back since reaching a peak in the summer. "People are watching every penny they spend," says Julian Walker-Palin, Head of Corporate Policy for Sustainability and Ethics. "Our customers still want products with provenance but some are starting to struggle with the price premium that is generally attached to organic products. We need as much support as possible from the organic industry to communicate the benefits of organic to our customer base."

The Co-operative

Organic sales through the Co-operative increased by 15% in 2008. The most dramatic growth was in sales of bread and baked goods, up 47%. But the biggest drivers of growth overall were an 18% increase in sales of organic dairy products and eggs and a 36% increase in sales of organic fruit and vegetables – two categories that between them account for half the Co-op's organic sales.

The only major category to show significant decline was organic meat, where sales dipped by 12.5%, although sales of fish, ready meals and non-alcoholic beverages also fell. Since the autumn, however, economic uncertainties have started to have an impact on organic sales more generally.

"Customers are finding clever ways to cut the cost of their shopping," says Ian Burgess, Group Technical Manager. "They are focusing on a healthy diet and eating more organic vegetables. Sales of our Truly Irresistible range are increasing because people are eating in instead of going out but thinking 'I'll buy something interesting and exciting to cook at home instead'. As money gets tighter this year I think we are going to see occasional organic shoppers dropping out of the market, while those who are absolutely committed to the organic ethos will stay with it."

Marks and Spencer

From a relatively small base in terms of its volume of organic sales, Marks and Spencer was one of the success stories of organic retailing in the financial year 2007–08. It doubled organic lines to 590 and increased sales by 40%.¹³

This growth in organic food sales has been dented in recent months by the economic downturn. According to TNS data, M & S organic sales fell by 9.6% in the year to the end of January 2009. The retailer remains committed, however, to organic sales growing significantly as part of Plan A, its five-year eco-plan aimed at becoming a carbon neutral business by 2012.

Morrisons

Morrisons is one of the retailers whose sales of organic products have benefited from price-conscious consumers shopping around. While some shoppers are sticking with their usual supermarket and economising by cutting out or reducing spending on more expensive products, others are switching allegiance to lower-price retailers.

Morrisons stocks over 350 organic lines. TNS data indicate that Morrisons' sales of organic products increased by 3.2% in the year to the end of January 2009.

Sainsbury's

Sainsbury's stocks around 800 organic lines, of which 450 are part of the Sainsbury's

SO organic own-label range. Organic products account for 2% of all the food and drink it sells.

Sainsbury's prides itself on its commitment to UK sourcing. All organic fresh meat is UK produced, as are all organic dairy products except continental cheese varieties. An estimated 50% of organic vegetables are UK produced. Ninety per cent of the produce packaging for the SO organic range is now recyclable or compostable.

Sainsbury's saw its organic sales decrease by 4.4% in 2008. TNS data indicate that in terms of own-label organic sales it was attracting customers away from most of the other leading retailers towards the end of 2008 – particularly Tesco – but also losing customers to Asda.

"We are still offering our customers plenty of choice in organic food," says Sophie Firth, Senior Brand Manager. "Over the past year we have targeted our marketing and money-off coupons to our keen organic shoppers to help those that want to make those choices. Although we are seeing a decline in sales across the Sainsbury's SO organic range, the more traditional areas such as meat and dairy are holding sales. We believe this is because these products represent ethical choices and values that customers are not willing to compromise on."

Tesco

Tesco is the UK's leading organic retailer, stocking more than a thousand organic lines. It is planning a renewed focus on promoting organic food in 2009 after a disappointing year in which sales fell by 8.9%. Organic products accounted for 1.74% of Tesco's food and drink sales at the end of 2008, compared to 1.97% a year before.

"We have seen a bigger decline in our organic sales than in the market as a whole, which is disappointing," says Clare Langford, Category Technical Manager for organic produce. "But we remain the biggest organic retailer on the high street so we're well placed to refocus on our organic business. We anticipate another challenging year but we're confident we can halt our decline and put ourselves in the right place for when the economy picks up."

Langford says that in a challenging economy, customers need to be clear on the rationale for any additional cost – "they can find it difficult to understand what organic means to them". She identifies consumer education as a vital ingredient for returning to growth. "We want to try to be clearer on packaging and at point of sale what the benefits of organic are, providing customers with reasons to believe so that it's clear to them what they are paying that premium for."

Tesco plans to review its sourcing and packaging strategy in the coming year to make sure it is meeting the needs of the organic consumer, increasing local and UK sourcing where possible and reducing the amount of packaging associated with its organic lines.

The first shoots of recovery may come in sales of organic fruit, salad and vegetables, which account for 42% of Tesco's organic turnover and have started to pick up again early in 2009. Tesco sells over 100 fresh produce lines and is currently extending the distribution of these lines to reach more customers.

The Tesco produce team has recently met with suppliers to emphasise the retailer's long-term commitment to the organic sector. "We wanted to reassure people that we are committed to having a good organic offer and we can't do that without an equally committed supply base," Langford explains.

Waitrose

Waitrose has the biggest range of organic products among the leading multiple retailers, stocking 1,700 organic lines. It also has the most committed customer base, as organic products account for around 7% of food and drink sales.

All the organic pork, beef, ham and chicken sold through Waitrose stores comes

13 'Marks & Spencer updates on the first financial year progress of its 'eco-plan', Plan A' M & S press release, May 2008.

from UK producers, while lamb is sourced from Welsh or New Zealand farms according to the season. A high proportion of vegetables and fruit is produced in the UK where possible and according to season, including Conference pears from Kent and Cox apples from Hampshire. Waitrose Columbian Blacktail organic eggs are certified by the Soil Association, requiring more space per bird and smaller flock sizes than the baseline organic standard.

Waitrose shoppers have a higher average income than those of its main rivals, but many are still looking to save money in the current downturn. “Customers are questioning the benefit of every purchase in greater detail,” says Andrea Watson, Brand Manager for Brand Development and Innovation. “This means that even committed organic followers have been adjusting how much they spend to suit the times.

“Lower-cost organic meat products such as burgers, mince, chicken wings and drumsticks have grown by 25% – perhaps indicating consumers favouring relatively cheaper cuts of meat but still opting for high animal welfare standards. Across vegetables, meat and poultry, another noticeable effect has been the growth of frozen produce versus the chilled or fresh version. We believe this is attributable to the cheaper price positioning of frozen in some instances.”

Despite these signs of belt-tightening, Waitrose has seen growth in organic wine sales and a range of items at the premium end of the market, including ice cream, fillet steak and some bakery and chocolate products. “Organics will be fairly resilient in the recession if it can re-find its market and define its marketability,” says Watson. “The industry needs to attract impulse purchasing and trial purchase based on value perception, which may then lead to customer conversion. This is all down to price positioning plus customers understanding what they are paying for and the end benefit to justify that purchase.”

Non-multiple retailers

Sales of organic products through independent retail outlets were worth an estimated £568 million in 2008. This figure represents a 1.4% increase since 2007, and is 15.7% above the level of sales in 2006. Around £11 million is spent on organic products through independent retailers every week.

Sales were strong in the first half of 2008, then became subject to volatility and variation, both within and between different types of outlet. Some retailers and producers report a significant drop in customers and/or income since October, and some of these see no immediate prospect of a recovery. Others report, however, that sales are relatively steady or are starting to pick up after the initial impact of the

Table 5
Retail sales of organic products in the UK, 2007–08¹⁴

Outlet	2007	2008	Percentage of market, 2008
Multiple retailers	£1,517 million	£1,545.4 million	73.1%
Box schemes/home delivery/mail order	£171.8 million	£170.9 million	8.1%
Farm shops	£37.4 million	£37.9 million	1.8%
Farmers' markets	£20 million	£23.7 million	1.1%
Catering	£18.4 million	£18.3 million	0.9%
Other independent retailers	£312.8 million	£317.3 million	15%
Total	£2,077.4 million	£2,113.5 million	

downturn. “For sure, the market’s now a bit more challenging,” says Andrew Dennis of Woodlands Farm in Lincolnshire, which derives 30% of its turnover from wholesale, 40% from direct sales and 30% from the multiple retailers. “Our wholesale arm is doing fine, better than ever in fact, but our income from the multiples has reduced. Direct sales are level and just about holding their own. There’s much more movement and volatility in the market, with more box-scheme customers dipping in and out.”

A key factor in how well organic sales hold up and how quickly the market starts growing again will be the extent to which the economic slowdown affects employment. “We’re finding there’s enthusiasm among our customers for being more frugal but we expected it all to be more dramatic and more rapid,” says Adam York, a founder-member of the Unicorn Grocery cooperative in Manchester. “Maybe it hasn’t been that way because not many in our area have lost their jobs so far.”

Unicorn Grocery has seen its turnover stay constant at £3.7 million. “People are economising on relatively expensive processed lines,” says York. “They are cooking more out of necessity, so our sales of bulk ingredients are going well. The fluctuations in food prices have been dramatic, and there is apprehension about energy prices too. Firewood has become our fastest selling product, and sales of plant seeds are also going well.”

Box schemes

In recent years the market for organic box schemes has become more competitive. Alongside individual producers latching on to the opportunity to sell direct, bigger operators such as Riverford Organic Vegetables and Abel and Cole have expanded significantly. This increased competition, coupled with the effects of the economic downturn, suggests that 2009 will be a challenging year for many box scheme operators.

Research conducted by the Soil Association for this report indicates that a majority of the smallest box schemes are maintaining sales. The larger operators report limited growth in 2008, with strong sales in the first part of the year and established customers spending more as less committed ones fall away. It is the medium-sized box schemes that appear to be worst off, perhaps because proportionally they have a smaller core of fiercely committed customers than the smallest schemes and yet they lack the kind of marketing resources that the bigger players have to pull in new business.

Abel and Cole increased turnover by 21% in the year to the end of August 2008. “We put this down to the growth in our range of products,” says Duncan Gibson, Chief Executive. “We now sell a lot more than fruit and veg, so our customers are staying with us longer and spending more. The number of boxes we do has stayed constant at about 35,000 a week.”

Riverford Organic Vegetables reports that sales increased by 6% in 2008. “We did lose a trickle of customers in the final quarter of 2008, usually following redundancies and more noticeably in some parts of the country than others,” says Rachel Watson, Marketing Director. “People are definitely looking for more reassurance about value. Our price comparisons usually show we are between 10% and 20% cheaper than the supermarkets and people want to hear about this. We’ve also had a good response to our launch of Roots and Greens – a cheaper, more traditional box.”

Overall, sales from producer and retailer-owned organic box schemes, mail order and other home-delivery operations were worth an estimated £170.9 million in 2008. This represents a 0.5% reduction in annual sales value since 2007, but still accounts for 30% of independent retail sales of organic products and 8.1% of the UK organic market as a whole.

Farmers’ markets

A study conducted in autumn 2008 by the National Farmers’ Retail and Markets Association (FARMA) found that there were 800 markets describing themselves as

14 See Appendix 4 for methodology and data sources.



farmers' markets in the UK. In 2008 annual sales through these markets were estimated by FARMA to have reached £250 million.

A survey conducted by FARMA on behalf of the Soil Association in February 2009 suggests that organic sales accounted for an estimated 9.5% of the turnover of farmers' markets in 2008. This puts the value of organic sales at £23.7 million, up 18.6% on the previous year.

FARMA members reported in the autumn that customer numbers were holding steady in the economic downturn, although cost-conscious shoppers were finding ways to economise – including buying cheaper cuts of meat. FARMA says markets with a strong community presence and those held at least fortnightly have been performing particularly well. Taunton farmers' market, for example, has benefited from becoming a weekly market in 2008. It reports a broadening of its customer base because it has raised its profile in the community, and because shoppers find a more regular market more convenient and reliable.

FARMA reports that shoppers particularly appreciate the freshness, quality and traceability of produce sold through farmers' markets and farm shops. Customers also enjoy the sociability of shopping at these outlets, together with the knowledge that producers are receiving a much bigger share of the retail price than they do in the case of supermarket sales.

It remains to be seen whether the 18.6% growth reported above will translate into a continuing recession-busting performance by farmers' markets through 2009.

The experience of Andrew Dennis, who sells fresh produce through 17 Lincolnshire farmers' markets, illustrates the volatility of the past year. "We got off to a cracking start at farmers' markets in 2008 but there was a sudden change from mid-October," he told the Soil Association in February 2009. "Almost overnight people appeared to become acutely aware of the credit squeeze and our sales dropped between 20 and 30%. Since then they've recovered somewhat, so it's really quite difficult to predict what will happen in 2009."

Farm shops

An Institute of Grocery Distribution report published in June 2008 found that farm shops were the fastest growing format for food retailing. FARMA estimates that there are 4,000 farm shops throughout the UK, with FARMA itself representing approximately a quarter of these. In 2008 the estimated annual turnover for this sector was £2 billion.

The Soil Association estimates that the value of organic produce sold through farm shops was £37.9 million in 2008, representing a 1.5% increase in sales since 2007.

The year ahead

The current market may give independent retailers selling locally produced organic food a competitive advantage. Shorter supply chains can mean lower handling, packaging or transport costs. The sterling-euro exchange rate made imported produce more expensive in 2008, and this is expected to continue to benefit UK producers through 2009.

There is a misguided assumption among many consumers that organic products and specialist shops are bound to be more expensive. Price-comparison marketing will be particularly important during the economic downturn if independent retailers and direct-sales operators are to highlight the value for money they can often offer in comparison to the supermarkets. Independent retailers will also have to redouble their efforts in customer recruitment to weather the recession.

"In customer recruitment you used to get a good return just by doing a leaflet drop but now you have to work a lot harder to get the same number of people on board," says Rob Haward of Riverford Organic Vegetables. "That includes our franchisees doing gentle door-to-door selling."

Catering

In January 2009 there were 37 businesses licensed by Soil Association Certification Ltd to run organic catering and/or restaurant operations, a 30% reduction since the last edition of *The Organic Market Report* was published two years ago. The number of non-licensed establishments serving organic food far exceeds the number of certified businesses, as there is no legal requirement for restaurants selling organic food to be licensed.

All but two Soil Association restaurant and catering licensees operate in England, with one in Scotland and one in Wales. Licensed businesses include the retailer Planet Organic, London gastropub the Duke of Cambridge, the Penrhos Court hotel and restaurant in Herefordshire, and a number of farm shop cafés. There are also two organically certified children's day nurseries, in Surrey and Gloucestershire.

There were eight restaurant and catering applicants for certification in 2007 and 11 in 2008. The majority of these applicants represented further expansion or diversification of existing organic businesses.

In parallel with promoting catering certification the Soil Association has launched the Food for Life Catering Mark, an accreditation scheme to recognise public and private sector caterers that serve fresh, seasonal, local and organic ingredients, high welfare meat and sustainable fish.

The three tiers of certification – bronze, silver and gold – allow caterers to make step-by-step progress towards more sustainable sourcing, using the Catering Mark logo on approved menus and any related marketing materials.¹⁵

Public sector catering

Some modest progress has been made in procuring food from UK producers to be served in public catering as a result of the Public Sector Procurement Initiative, launched by Defra in 2003 to support the government's sustainable farming and food strategy for England. The main public sector food buyers have increased the proportion of domestically produced food they buy, from 64% in 2006–07 to 66% in 2007–08. But the percentage of organic food supplied within this has decreased from 9% to 6%.¹⁶

The issue of school meals continued to have a high public profile throughout 2008 – thanks to the introduction of new government nutritional standards, the work of the Soil Association-led Food for Life Partnership and continuing media interest. But despite a growing interest among education authorities in procuring local and organic food, schools still struggle to do so because of limited budgets. In 2007 the average cost of ingredients for a primary school meal in England was just 57p, an increase from 52p in 2005–06. This compares to an average of 66p in Scotland, 48p in Wales, and 42p in Northern Ireland in 2005.¹⁷

The School Food Trust introduced new nutrient-based standards that became statutory in primary schools in September 2008. The new standards identify both the number of calories that school meals should provide and the levels of fat, protein, carbohydrate, iron and other nutrients. These standards will also be introduced in secondary schools in September 2009. The Food for Life Partnership – spearheaded by the Soil Association in conjunction with the Focus on Food campaign, Garden Organic and the Health Education Trust – continues to work with schools and education authorities to help them use more fresh, local and organic ingredients and improve food education.¹⁸

In 2008 the Soil Association and Organix conducted the first detailed investigation into the quality of food fed to young children, attending nurseries in England and Wales. Their report *Georgie Porgie Pudding and Pie – Exposing the Truth About Nursery Food* criticised the lack of clear nutritional standards, particularly in the nine out of ten nurseries that are not state-maintained.¹⁹

15 See www.soilassociation.org/cateringmark

16 Defra (2008) *Public Sector Procurement Initiative Second Report: 1 April 2007 to 31 March 2008*.

17 School Food Trust (2008) *The Provision of School Food in 18 Countries*.

18 See Appendix on policy developments for more information about the Food for Life Partnership and its activities in 2008.

19 See Appendix on policy developments for more information about this report.

An independent retail perspective **Phil Haughton, The Better Food Company**

Retailing on a small scale is getting tougher, with increased costs for transport and services, and pressure on margins as a result of offering customers more deals to keep them on side. For the Better Food Company the recent growth in health and beauty products continues, but grocery sales are falling and sales of fresh produce, dairy, meat and wine are all flat.

The reality is that groceries cost less in the multiples and fresh foods cost more. Fresh foods require more labour and there is a higher waste risk, but this is our niche as independent retailers and we can never be beaten by the multiples if we do it well.

Shopping in the best independent shops can be a very positive experience. It is often done with a personal commitment to a particular local store and a sense of being part of a more community-focused and sustainable way of retailing. Our brand is working when our customers talk about the store as 'my local shop'.

Successful independent retailing is as much about nurturing community and paying attention to our community responsibilities as it is about the retail business itself. Sales will be won when we pay attention to all the elements and believe in our offer.

From an independent retail perspective I believe the biggest problem we face is the big market and the big marketing that goes with it. 'Organic' is so close to losing its meaning for some people because of the way in which market growth and the replication of the non-organic market have taken precedence over the core principles of organic food and farming. The Soil Association should keep its distance from the market place and be the campaigning, educational and research force that is needed to offer people real meaning in greater numbers.

In the next year or two I believe we will probably see the market shrink further. The biggest casualties are likely to be producers who are set up to supply the multiples. The producers least affected will be those who are diverse in products and services and direct in sales and marketing. The models for the future will be more about creating community markets and customer ownership than about providing choice and cheaper food.

Phil Haughton grows organic produce on 11 acres south of Bristol, and owns and runs an organic supermarket, home-delivery box scheme and wholesale vegetable operation in the city – all under the umbrella of the Better Food Company.

'Successful independent retailing is as much about paying attention to our community responsibilities as it is about the retail business itself'

A catering perspective **Geetie Singh, The Duke of Cambridge**

At the end of 2008 there were only 37 Soil Association-certified catering outlets, which seems remarkably few when you consider the size of the UK catering market.

I believe this anomaly is occurring for two main reasons. Firstly, catering stands outside EU law for organic certification. This means that making claims in catering about organic ingredients is a trading standards issue rather than a certification issue.

Secondly, too few consumers are pushing for their local restaurants to serve organic food. Eating out is often regarded as a treat, and for many that means not thinking much about the origins of each ingredient. The values that we apply to the grocery shop may be left at home with the organic milk.

In the ten years that the Duke of Cambridge has been certified by the Soil Association, I have seen a huge improvement in the availability of seasonally and locally produced organic food. But that is not to say that getting hold of it is no longer a struggle. Because we are buying from small UK farms rather than simply buying internationally all year round as many catering establishments do, we immediately notice the reduction in yields if the growing season is hit by crop failures. I see this as a positive experience for my staff and customers, as it is keeping us in touch with the realities of farming.

It is heartening to see top fruits doing well in this report and to read about more orchards being planted. It would be wonderful to have greater supplies of stone fruits in particular, such as damsons, cherries and plums. We buy as much as we can and bottle it to ensure a reasonable supply, but it is still extremely limited.

If we could increase public procurement of local and seasonal organic food, we could establish a distribution system that would provide a wholesale structure for smaller catering outlets too. Procurement of organic food for schools, prisons and hospital catering should be the starting point for creating a diet that is healthy for the planet and healthy for people while supporting sustainable UK farming.

Geetie Singh founded the Duke of Cambridge organic gastropub in 1998. Located in North London, it remains the only UK gastro pub with Soil Association certification.

‘Too few consumers are pushing for their local restaurants to serve organic food’

A processor perspective **Lizzie Vann Thrasher, Organic Trade Board**

Sales of organic products have been growing at an average rate of over 20% for ten years – far faster than any other part of the food and drink market. Towards the end of 2008 we saw the first significant slowing of growth in that period but the recession will not last forever. Reports of the death of organics have been hugely exaggerated.

Members of the Organic Trade Board tell us that there remains a strong core of dedicated organic shoppers who believe that food is more than just its price tag. These consumers still want to buy products with strong stories behind them, and actively look for brands they can trust. They still regard organic production as the gold standard in agricultural production – an approach that delivers sustainable farming, the highest standards of animal welfare, and the safest, healthiest products.

The organic sector has some of the most creative and energetic companies around – companies willing to invest time and money not only in innovative product development, marketing and distribution but also in standards development, certification issues and collaboration to drive the industry forward. This is the way the organic sector has always developed – through dedicated individuals and companies, prepared to risk a great deal to create new markets. It is something that we should all be hugely proud of.

Two-thirds of members of the Organic Trade Board are reporting growth year on year, with a few expecting growth of more than 20% by value in 2009. The only areas in decline are those where the supermarkets are choosing, for their own competitive reasons, to reduce the shelf space offered to organic and to stock cheaper lines instead. In places where the shopper has more of a choice, sales of organic are often holding up well.

The profitability of organic businesses has been affected, of course, by the weak pound – and by big increases in raw material prices and other costs. Some cost increases have had to be passed on to consumer in higher prices, and the temporary dip in demand owes more to this and the wider economic climate than to a weakening of consumer enthusiasm for organic products.

Organic companies remain committed to pioneering a new, more human and more sustainable way of doing business. That frontier spirit builds a strong resistance to economic troughs, and we will come through this leaner and meaner. It is the job of the Organic Trade Board to help all organic companies survive and thrive.

Lizzie Vann Thrasher is Chair of the Organic Trade Board and founder of Organix Brands, the leading organic children’s food company.

‘The organic sector has some of the most creative and energetic companies around – companies willing to invest to drive the industry forward’

3

Processed organic food

The number of registered organic processors and importers in the UK reached 2,675 in the 12 months to January 2008, an increase of 11.3% on the previous year.²⁰ Of these 83.7% were based in England, 2.1% in Northern Ireland, 8.6% in Scotland and 5.6% in Wales – see Table 6. Wales saw the strongest growth in organic food processing activity in 2008, with numbers of processors increasing by 19.2%.

This section of *The Organic Market Report 2009* reports on the market for a range of organic processed food and drink. It excludes non-food areas such as health and beauty products, textiles and household cleaning products, which are covered in the next section.

²⁰ Defra (2008) Organic Statistics United Kingdom briefing – see <https://statistics.defra.gov.uk/esg/statnot/orguk.pdf>

²¹ IRI data for year to December 27 2008.

²² IRI data for year to December 27 2008.

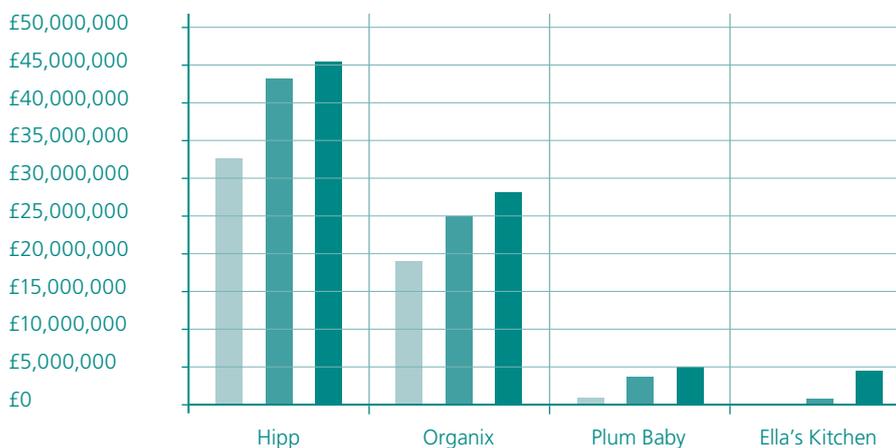
Baby food

In 2008 UK sales of organic baby foods increased by 11.7% to £89 million, compared to a growth rate in non-organic sales of 7%. Organic products now contribute 46% of the total category.²¹

Innovation in ingredients and food types is significant among organic baby food brands. Sales of Organix, Plum Baby and Ella's Kitchen products all grew by more than 15% in 2008, and new product development and range extensions have played a significant part in this. Organic finger food (rice cakes, rusks, biscuits and snacks) grew fastest within the baby food category, up 25%.

The baby food market has six main manufacturers that contribute 94% of sales. Organix, Hipp Organic, Plum Baby and Ella's Kitchen are the four leading brands offering only organic products – see Figure 5. Organix makes a 'no junk promise' on its

Figure 5
Sales growth among the four leading organic-only baby food manufacturers, 2006–08²³



products – 100% organic ingredients, with no added sugar, flavourings or preservatives. The main channel for sales is through the leading supermarkets.

The more specialised brands include Truuly Scrumptious, So Baby and Fresh Daisy – all of which are frozen or chilled. Most of the ingredients for organic baby food come from mainland Europe, which is where most production also takes place.

The most recent Mintel report on the baby food market²³ found that organic baby foods are becoming increasingly important as parents look for added assurance about food purity and nutritional quality. It also found that parents are prepared to pay more for organic foods and those free from additives, although the price differential between organic and non-organic baby food is narrowing.

Beverages

According to TNS Worldpanel data, hot beverages account for 3.2% of organic food and drink sales through the multiple retailers. Alcoholic drinks account for 3%, and soft and chilled drinks for 2.4%. The Soil Association estimates that organic beverage sales through multiple retail were worth £133 million in 2008.

The organic beverage sector has continued to grow overall in the past year. TNS data suggest this is largely because of a 21.9% increase in sales of alcoholic beverages. Sales of hot beverages edged up by 0.7%, while sales of chilled soft drinks and juices fell.

New organic developments in 2008 included the launch of functional superfruit and children’s ranges by RDA Organic, the entry of Grove Fresh into the smoothie market, and the launch of a new ready-to-drink iced tea by Kenzai. Two specialist tea companies, Today was Fun and Hampstead, continued to extend their ranges to meet growing demand. Coffee remains the largest category in the hot organic beverage market, and the majority of soya milk sold is now organic.

Table 6
Number of organic processors and importers in the UK, January 2007 and 2008

	2007	2008	Percentage change
England			
East of England	289	298	+3.1%
East Midlands	210	241	+14.8%
Northeast	45	53	+17.8%
Northwest	159	180	+13.2%
Southeast/London	516	579	+12.2%
Southwest	450	509	+13.1%
West Midlands	169	188	+11.2%
Yorkshire/Humberside	164	191	+16.5%
	2,002	2,239	+11.8%
Northern Ireland	52	56	+7.7%
Scotland	225	231	+2.7%
Wales	125	149	+19.2%
Total	2,404	2,675	+11.3%

In 2009 there is likely to be a flattening of sales, although some products – especially coffee – could make further inroads into the mainstream market. The falling value of sterling is feeding through into significant price rises for organic beverages, as a large percentage of the raw materials for these products are purchased in euros or US dollars. This may mean challenging times for manufacturers, although it could also mean increased opportunities for locally produced organic juices and soft drinks.

Squashes and cordials are the products that look best placed to buck any recessionary trends, as their dilutable form makes each glass relatively cheap. The two organic brands that have made most headway in this market are Rocks Organic squashes and Belvoir cordials. Rocks has seen its supermarket sales increase by 30% in the past year.

23 Mintel (2007) *Baby Food, Drinks and Milk* – UK Mintel Market Intelligence, November 2007.

Bread, bakery and biscuits

According to TNS Worldpanel data, biscuits and bakery products together account for 7.3% of organic food and drink sales through the multiple retailers. The Soil Association estimates that this segment of multiple retail sales was worth £113 million in 2008.

Sales of organic biscuits are up by 13.4% in the past year but organic bread sales have been hit hard, falling by 13.1%. The combination of high cereal prices and cost-conscious consumers proved to be a challenging one for companies supplying organic bread and other baked products to the supermarkets and independent retailers.

“The recessionary climate has made trading difficult but our brand continues to hold its own,” says Lindsay Kilifin, Marketing Manager for Village Bakery. “The organic consumer is still responding to branded products that offer a clear point of difference, and a particular success for us has been our rye bread sales in the supermarkets.

“Our greatest area of decline has been in independent retailers, with stockists clearly finding life on the high street increasingly difficult. The outlook for 2009 is uncertain but we have a positive outlook and have recently launched new ‘free from’ lines in several of the major multiples.”

Breakfast cereals

Organic breakfast cereals hold a 2.5% share of the total breakfast cereal market, which is valued at approximately £1.1 billion. Organic products have made even bigger inroads when it comes to oats and muesli, accounting for 5–6% of total sales.

According to TNS Worldpanel data, breakfast cereals account for 2.1% of organic food and drink sales through the multiple retailers. The Soil Association estimates that this puts the value of multiple retail sales at £32 million in 2008. TNS reports that sales were flat in the past year, increasing marginally by 0.3%.

The leading names in organic breakfast cereals are organic variants of Weetabix and Shredded Wheat plus a wide range of other brands including Alara, Dorset Cereals, Doves Farm, Food Doctor, Jordans, Kollo, Mornflake, Nature’s Path, Pertwood, Rude Health, Sharpham Park and Whole Earth. Alara and Nature’s Path both offer gluten-free muesli options, while Sharpham Park specialises in spelt-based products.

The outlook for 2009 is challenging in the organic cereal market. The 2008 harvest was late and of low quality. The cost of most organic cereals initially went up by 20–30% in the summer, but then fell back to the former level or below. The 2009 crop is tending to be spring sown following the wet autumn. This means it is likely to be smaller than average, although better quality should be achieved – for bread, at least – with spring sowing.

The exchange rate has made UK organic cereals cheap for continental buyers, while imported products and ingredients have become very expensive. The market is likely to be static at best in 2009, and the opportunities for additional shelf space are limited.

The strong growth of Dorset Cereals products strikes an encouraging note, however. Here is a brand, including one organic line, which has a relatively high price point but is selling well – thanks to a combination of strikingly innovative packaging and high product quality.

Condiments, fats and oils

Commodities markets were very unstable in 2008, forcing companies supplying organic oils to introduce significant supplier-driven price increases while also reducing their own margins to try to maintain sales. It has not been possible to avoid higher retail prices, and these have prompted some consumers to switch from organic brands to cheaper non-organic alternatives.

Mainstream consumers find it difficult to understand the health benefits of the different oils on the market, and often want to buy one everyday cooking oil such as sunflower oil or olive oil. In health food shops, however, there is a broader range of organic oils that reflects a better understanding among shoppers of the benefits of oils in the diet.

Meridian reports growth in sales of its organic cold-pressed and unrefined oils during 2008. Clearspring experienced a dip in organic olive oil sales but has added sales through successful launches of organic rapeseed oil and a 50:50 blend of organic flaxseed and extra virgin olive oils. It plans to launch two more new organic products in 2009 – avocado and Tunisian extra virgin olive oils.

The market for condiments with an oil base, such as mayonnaise and salad dressings, is dominated by multiple retailers' own-label products, complemented by a limited range of niche brands such as Meridian and Pollen.

As yet there is no real market for specialist hard fats to use in home baking, as consumers tend to choose butter or oils if they want to use organic fat in a recipe. Organic butter seems to be the hard fat of choice for organic home baking. Yeo Valley Organic has had some success with its spreadable butter – a blend of butter and sunflower oil.

Confectionery

Confectionery manufacturers may be particularly vulnerable to recessionary pressures if consumers choose to prioritise economising on luxury or 'treat' foods such as chocolate.

TNS reports that 'take home' sales of organic confectionery fell by 21.3% last year. But confectionery is a category where significant sales are derived from foodservice outlets (eg cafés) and impulse purchases (ie bought from retailers but consumed outside the home), which are not captured by TNS.

Chocolate maker Green & Black's is the leading organic confectionery brand in the UK, with sales of £56 million in 2008 – up 7% on the previous year.

"While shoppers are buying organic products less frequently than a year ago, our figures show that our consumers are staying loyal," says Natalie Brown, Senior Brand Manager for Green & Black's UK. "In times of economic downturn the organic brands that will continue to see growth are those that consumers see a value in that goes beyond the

Soil Association stamp on the packaging. Our product is seen as a high-quality chocolate, created without compromise, that is ultimately great value for money.”

24 AC Nielsen data for the year to December 2008.

25 *ibid.*

26 *ibid.*

Dairy products

According to TNS Worldpanel data, dairy products account for 29.5% of organic food and drink sales through the multiple retailers. The Soil Association estimates that this segment of multiple retail sales was worth £455.8 million in 2008.

Milk and cheese sales increased in 2008 by 10.6% and 11.5% respectively, according to TNS Worldpanel.

Data from Yeo Valley Organic show that sales of organic yoghurt and fromage frais grew by 4.4% in 2008. Yeo Valley is the brand leader in this market, with a 60% share of sales, followed by Rachel’s Dairy with 21% – see Table 7. Own-label products account for 13%.²⁴

“Our own sales growth has slowed but dairy products remain one of the entry points to organic,” says Ben Cull, Yeo Valley’s Marketing Director. “We are still seeing health conscious and ethically minded consumers entering the market, so we are optimistic that sales will remain buoyant in this challenging economy. Organic is not on its own in this recession – the majority of food categories are flat at best, if not in decline. We predict that in 2009 prices will continue to fall, price-cutting promotions will dominate and private-label products will see sales fall as consumers revert to brands that they feel they can trust.”

Pet foods

Pet foods are an emerging category where a range of organic options is available. These include cat and dog food, pet treats and hygiene products such as shampoo.

Lily’s Kitchen produces a range of wet and dry cat and dog food. Recipes are made with certified organic meat (up to 60%), grains, vegetables and herbs. “As more and more people buy organic food for themselves, they want to buy organic for their pets,” says Henrietta Morrison, Managing Director of Lily’s Kitchen. “Feeding a certified organic product helps pet owners avoid the thousands of chemical additives that are permitted in pet food without having to be declared.”

According to TNS Worldpanel data, pet care accounts for 0.2% of the sales of organic products through multiple retailers.

Preserves and pickles

The market for preserves and pickles is dominated by supermarkets’ own-label products, complemented by a host of smaller organic brands offering product innovation that is helping them to gain market share. The leading organic brands are Duchy Originals, Meridian Foods and Whole Earth.

Annual sales of peanut butter in the UK amount to around £30 million, with organic products forming 5% of the market.²⁶ The leading organic brand is Whole Earth, closely followed by Meridian. Both these companies continue to add value to a lacklustre part of the preserves market, Whole Earth by launching new varieties and Meridian by introducing speciality products such as organic almond, cashew and pumpkin butters to its range.

Table 7
Organic yoghurt and fromage frais market shares²⁵

	Share of market
Yeo Valley Organic	60%
Rachel’s Dairy	21%
Private label	13%
Alpro	5%
Other	1%

Raw materials for food processing

In the past year there has been an inflationary bubble in the cost of commodities and raw materials for processed organic products. Demand has been high across the world, and high fuel prices through much of 2008 pushed costs of production and prices to levels that have not been seen before. It seemed that no commodity was immune – from cereals, milk, fruit and vegetables to seeds, pulses, oils and nuts.

Higher animal feed prices made organic eggs, milk and meat more expensive to produce, putting pressure on these sectors and inflating prices to consumers. At the end of 2008 a collapse in the oil price plus the tail-off in consumer demand associated with the economic downturn have started to rein in commodity and raw material prices.

There is no sign yet, however, of an end to the weakness of the pound against the euro and dollar. This means that the price of imported raw materials remains stubbornly high as far as food and drink manufacturers are concerned, although the exchange rate is creating opportunities for exporters of commodities from the UK.

Sandwiches and convenience foods

This is a fairly new sector of the organic market with a relatively limited offer – principally sandwiches, wraps and salads – supplying retail and food service outlets. Current sales exceed £6 million per year, and there is significant growth potential.

The market includes both small to medium operators and larger players. Until recently larger companies were involved in doing private-label work for the multiple retail sector. Towards the end of 2008, however, the last of the own-label retail offers (sandwiches) was withdrawn from supermarket chiller cabinets.

Soups, sauces and ready meals

The market for fresh, chilled organic soups has grown well in recent years as increasing numbers of consumers look for a convenience option that they perceive as closer to fresh vegetables than canned soup varieties. The market is estimated to be worth around £6 million at retail, led by brands such as Duchy Originals, Simply Organic, Tideford Foods, Rod & Bens and Yorkshire Provender. The coffee-shop chain Café Nero has added fresh organic soups to its menus, highlighting the potential for growing sales through food service outlets.

Seeds of Change continues to dominate the pasta sauce market, with a plethora of smaller brands available through independent retailers. Innovation in packaging and product development is enabling these smaller companies to open up and retain niche markets.

4

Non-food products

UK sales both of organic clothing and textiles and of organic health and beauty products expanded significantly in 2008. The health and environmental concerns that have fuelled sales of organic food and drink are increasingly prompting consumers to consider the health implications of products absorbed through the skin and the environmental impact of intensive cotton production.

Organic health and beauty ranges are steadily establishing themselves in some supermarkets as well as in more upmarket department stores, while mainstream clothing brands and retailers such as Nike, Timberland, Marks and Spencer and New Look are sharply increasing the volumes of organic cotton they use.

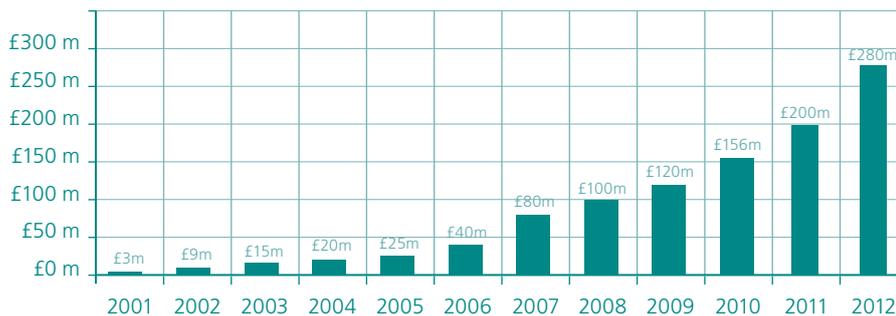
Organic textiles

Sales of organic products are a fast-growing segment of the £30 billion UK clothing and textiles market, exceeding £100 million in 2008 for the first time. The UK makes up about 8–10% of the global organic cotton market.

Although precise figures are not available for the size of the UK market for organic cotton, best estimates point to sales of £60–65 million in 2007 and £85–90 million in 2008 – an annual growth rate of around 40%. When sales of other organic fibres such as wool and linen are taken into account, the market adds up to £100 million – a 25% increase on 2007.

Sales of organic clothing and textiles have increased more than tenfold since 2002. The current economic downturn is likely to cause a slowing of growth in 2009 and 2010. But it is forecast that the rate of growth will pick up again in two years and that sales will almost treble between 2008 and 2012, reaching £280 million – see Figure 6. Over 150 retail shops and over 250 web outlets now sell organic textile products in the UK. In an omnibus poll of over 1,000 people conducted by Market Tools in

Figure 6
Previous sales and predicted growth in the UK organic textile industry



February 2009 on behalf of the Soil Association, 18.5% of respondents said they had bought organic clothing, bed linen or other products made from organic cotton in the past year. Among the organic consumers polled, the proportion buying these products was 24%.

Marks and Spencer and New Look

Marks and Spencer sold 1.1 million organic cotton items in 2008 – more than five times the volume sold in the previous year. It sees organic cotton as a ‘gold standard’ for sustainable clothing in the future alongside a more mainstream ‘silver standard’ – cotton produced under integrated pest management as a result of the Better Cotton Initiative.

New Look sold 2.3 million organic cotton items in 2008 – a 50% increase on 2007. Organic cotton now accounts for 4.2% of its womenswear, compared to 3% in 2007. Its range includes organic cotton jersey items, a woven top and dress, and knitwear. It expects at least to maintain sales, and possibly increase them, in 2009.

Independent retail

Some independent retailers have seen a dip in sales of organic clothing as a result of the downturn, but this tends to be seen as a blip in an upward trend. Cornish-based Seasalt, which specialises in beach and leisurewear for the holiday market, increased sales through wholesale, its website and 12 stores by an overall 8.8% in 2008. Organic or eco-labelled items account for 63% of its products and a third of sales.

Seasalt opened another new store in Salcombe in March 2009. It expects a boost to business as the economic downturn and exchange rates prompt more people to take holidays in the UK. “We had a drop-off in sales straight after the credit crisis in October because consumer confidence plummeted,” says Neil Chadwick, who owns the business with his two brothers. “But in the two months since mid-December trade has been up about 4% on the same period a year before.”

Soil Association certification

Soil Association Certification Ltd (SACL) is one of the six leading global textile certifiers. In order of size – largest first – the others are CUC, IMO, Ecocert, ICEA and OTCO. The number of SACL organic textile licensees increased by 58% in 2008 to 75.

New Look’s organic cotton knitwear for spring and summer 2009 is certified by the Soil Association, and the company is exploring certification for its jersey items in 2010. “I believe that as more people offer organic cotton, the need from customers to understand the certification involved will become greater,” says Anna Greig, Organic Buyer at New Look. “There will be a growing need for responsible retailers to offer organic cotton certified by a reputable organisation such as the Soil Association.”

The international context

According to the Texas-based non-government organisation (NGO) Organic Exchange, the amount of organic cotton grown worldwide increased by 152% in 2007–08 to 145,872 metric tonnes. Organic cotton accounted for 0.5% of the cotton grown and used in 2008.²⁷

Organic cotton is now grown on more than 160,000 hectares of land in 22 countries, of which just five – India, Syria, Turkey, China and Tanzania – account for 94% of production. Organic Exchange says the global organic cotton market was worth \$3.2 billion in 2008, a 63% increase on the previous year. It predicts that sales will top \$4 billion by the end of 2009 – a further increase of 24%.²⁸

The ten biggest buyers of organic cotton in 2008 were Wal-Mart, C&A, Nike, H&M, Zara, Anvil, Coop Switzerland, Pottery Barn, Greensource and Hess Natur.²⁹

Besides Organic Exchange and the Soil Association, other NGOs active in the field

include the Pesticides Action Network and the Environmental Justice Foundation, which in 2008 highlighted slave-labour conditions in the cotton industry in Uzbekistan and prompted many retailers to stop buying Uzbek cotton.

Health and beauty

The emerging organic health and beauty sector enjoyed another year of rapid growth in 2008. According to interviews and data analysis of certification returns conducted by the Soil Association, certified organic health and beauty sales in the UK have now reached £27 million – an increase of 69% on 2007. It should be noted that this is the first time such data on the *certified* organic beauty market have been collated and published.

By March 2008 90 companies were licensed by Soil Association Certification Ltd to manufacture organic health and beauty products – an increase of 38% on 2007 and a sixfold increase from the 15 companies licensed in 2004.

In an omnibus poll of over 1,000 people conducted by Market Tools in February 2009 on behalf of the Soil Association, 25% of respondents said they had bought organic shampoo, moisturiser, soap or other toiletries/cosmetic products in the past year. Among the organic consumers polled, the proportion buying these products was 32%.

Together, sales of organic and natural personal care products account for 2.6% of the total UK market. Organic Monitor expects this share to grow to 5% by 2112.

Retail expansion

Some certified organic products are now available from most major high-street retailers. Contract manufacturer PB Beauty, for example, supplies 16 Soil Association-certified skincare products for Tesco's *bnatural* range. Asda reports that organic health and beauty sales through its stores rose by 24% in 2008, even though its products were stocked in only 80 of the 150 stores where they had been available in 2007.

Neal's Yard Remedies, one of the leading specialist retailers, achieved sales of £12 million in the last three quarters of 2008 – a 13% increase on the same period in 2007. The company now has 27 of its own stores and a further 11 franchised stores in the UK, as well as a successful online and direct-sales business. Certified organic products make up 60% of its range.

So Organic, a fast-growing online retailer, saw its turnover increase by 74% in 2008 to £1.1 million. Nearly 90% of its revenue comes from web sales, and the remainder through its Greenwich store. Three quarters of its products have some kind of organic or eco certification, and 8.5% are certified by the Soil Association.

Manufacture and raw materials

With retail sales increasing, the companies making the products are flourishing. Spiezia, whose products are one of the main ranges available through So Organic, increased its turnover by 11% in 2008, to £300,000. It developed two new lines during the year and has undergone a rebrand that has enabled a relaunch in Harvey Nicholls and placement in John Lewis for the first time.

Buoyant demand from manufacturers is in turn spurring growth among raw material suppliers. S&D Aroma increased its range of essential oils, base oils and other organic raw materials from 120 to 150 items in 2008, and reported 80% growth. Growth was particularly significant in sales of organic citrus and mint oils and organic shea butter.

Alfa Chemicals, which generates a £1 million turnover supplying raw materials to the natural products industry, has just developed a Soil Association-certified organic

27 Condit B, Marquardt S (2009) 'Growing commitment to organic cotton from farmers, retailers and consumers' *Organic Processing* 6:1, January–February 2009.

28 Organic Exchange (2009) *Organic Cotton Market Report 2008*. O'Donnell: Organic Exchange.

29 *ibid.*

variant on its popular Sucragel emulsifier made from sweet almond oil, glycerine, fruit water and sucrose laurate. “There are a lot of organic oils now but there is a real gap in the market for products such as emulsifiers, surfactants and detergents,” says Caroline Recardo, Personal Care Product Manager. “We’re still growing and we’re getting a lot of interest in organic products.”

Bucking the recessionary trend?

Organic health and beauty products cover a wide range of price points, but there is often little or no discernible price premium for organic over non-organic cosmetics. This, combined with a high level of media interest in healthier beauty products, is likely to help the organic health and beauty sector weather the economic downturn particularly well.

Essential Care, which makes one of the largest Soil Association-certified skincare and baby care ranges, reported 20% revenue growth in December 2008 and January 2009. In 2008 its revenue grew by over 30%, thanks to new product launches and soaring demand from across Europe for certified organic skincare.

For Neal’s Yard Remedies a slowdown in UK sales since September has been offset by export growth, especially to Japan and Dubai, and through increased department store coverage – including going into 20 Boots stores at the start of 2009. S&D Aroma reports that its revenue in February 2009 was up 45% on 2008, and Spiezia’s sales from October 2008 to January 2009 were the highest for any four-month period in the company’s history.

Consumers looking to economise are tending to make savings on higher-priced body care products such as body scrub and bath oil rather than face products. “In face care people are more particular and you tend to stick with a moisturiser that’s right for you,” says Samantha Burlton of So Organic. “It’s in body care where we’ve noticed that some of our cheaper lines are becoming really good sellers.”

Abi Weeds of Essential Care says the versatility of organic body care products can help consumers save money. “Organic products perform well but tend to be gentler than conventional ones. That means you don’t need to buy separate eye and face creams, for example. This is the case with our best-selling Rose Moisturiser, and similarly our Gentle Herb Shampoo, which renders a separate hair conditioner unnecessary.”

New lines and popular products

Neal’s Yard Remedies plans to extend its facial skincare, men’s and mother-and-baby ranges in 2009. It has also developed a new anti-ageing facial serum as part of its best-selling Frankincense range. Essential Care is adding to its baby range and has created a two-in-one facial mask that doubles as a cleanser and exfoliator. Spiezia’s top sellers are its calendula ointment, which eases eczema, and its facial cleanser, a Soil Association-certified organic alternative to a popular luxury facial cleanser by Eve Lom that costs twice as much.

“Customers tend to be looking initially for products that are free from something, such as parabens or synthetic fragrance,” says So Organic’s Samantha Burlton. “Our most popular lines are deodorants, shampoo, body wash and body lotion – products that people use regularly. Green People is probably the most popular brand we stock.”

Certification, harmonisation and education

Manufacturers of organic health and beauty products identify three key areas that need attention from the industry to ensure continued growth – standards harmonisation, certification and consumer education.

As the health and beauty sector is not covered by EU organic legislation in the same way as food, there is a baffling number of organic claims and self-styled logos

appearing on non-certified cosmetics products.

The end of 2008 saw publication of draft European cosmetic organic standards (COSMOS-standard) aimed at harmonisation between European organic certifiers. The process of harmonisation has taken over six years and should pave the way for widespread acceptance of a common organic cosmetics standard that has industry, retailer and consumer support. The harmonised standards will be introduced later in 2009. Existing products will need to be reformulated (where necessary) to ensure compliance with these standards within three years.

Harmonisation and the widespread acceptance that goes with it will make certification more or less a necessity, but increasing numbers of companies are seeking it anyway to build consumer trust. "Customers are becoming increasingly aware of 'greenwash' when it comes to natural and organic products," says Louise Green, Head of Sustainability for Neal's Yard Remedies. "More are looking for certification as an assurance that standards are being met."

Alfa Chemicals chose to certify Sucragel AOF Bio with the Soil Association for two reasons. "It helps build trust because of the logo recognition in the trade when people see it on samples," explains Caroline Recardo. "We also went with the Soil Association because it goes beyond the draft COSMOS-standard so we know we'll have no problems harmonising in the future."

A number of health and beauty companies interviewed for this report have called for concerted customer education, before and after harmonisation, to overcome consumer confusion. "There's a big job of education to do to explain to consumers what the different standards are and what certification means," says So Organic's Samantha Burlton. "The whole industry needs to get better at educating people."

Household products

Non-food products that are certified organic or contain certified ingredients include a growing variety of household cleaning agents and detergents.

Natural House and Bentley Organic both offer a variety of products certified by the Soil Association, whose standards require that at least 70% organic ingredients must be used. The Natural House range includes Dish Spa – the first Soil Association-certified washing-up liquid – plus bathroom and multi-surface cleaners, Salad Spa fruit and vegetable wash, organic soap flakes and a new range of organic room aromas (a natural alternative to air fresheners). Bentley Organic manufactures a range of surface cleaners for windows and glass, showers, bathrooms and kitchens.

A producer perspective **Graeme Matravers, Manor Farm**

With its whole-system approach to farming, organic production should be better placed to weather the ups and downs of the market. Most producers have an enterprise mix that tends to balance out the peaks and troughs.

In spite of this, 2008 was a very tough year for many of us. The harvest was one to forget with its dreadful weather, poor quality and low yields. The bumper prices in the first half of the year had a dramatic impact on the cost of feed, causing severe difficulties in the market. Then came the onset of recession, and little did we know what was about to hit us.

Life will certainly be different in 2009. Demand overall has levelled off, and has fallen in some markets. I believe, however, that those genuine producers with good local links to the market should continue to do well. The interest and concern of their most committed customers is likely to be expressed in continued support.

The way forward must be to develop a truly sustainable market place, with more co-operation between producers and their customers. It is in no one's interest to have inflated prices one year and poor prices the next. One person's short-term profit is more than likely someone else's loss.

As we contemplate the year ahead and the effects of the global recession and credit crunch, it is worth reflecting on the words of the Soil Association's founder, Lady Eve Balfour. "If fresh food is necessary to health in man and beast," she wrote, "then that food must be provided not only from our own soil but as near as possible to the sources of consumption."

I remain optimistic about the future. With all the uncertainties we face – including peak oil, climate change and economic challenges – it is more vital than ever to build a sustainable farming system that will stand the test of time.

Graeme Matravers is a Leicestershire arable, sheep, beef and poultry producer and chair of the Soil Association's Farmer and Grower Board.

'The way forward must be to develop a truly sustainable market place, with more co-operation between producers and their customers'



Organic farming in the UK

Land area

Between January 2007 and January 2008 – the latest period for which statistics are available³⁰ – the amount of land managed to organic standards increased by 10% to 676,387ha. Organically managed land, which includes land in conversion, now accounts for approximately 3.9% of the UK's agricultural land area.^{31 32}

The area of fully organic land increased by 5% in the year to January 2008, reaching 520,489ha. This reverses the downward trend of the previous two years, when the fully organic land area was reduced – largely as a result of farmers withdrawing from organic production in Scotland at the end of Organic Aid Scheme agreements.

Substantial growth in the amount of land under fully organic management was experienced in England (13%) and Northern Ireland (43%), while Wales experienced limited growth of 3% and Scotland a minor reduction of 3%.

In-conversion land now makes up 23% of the UK's organically managed land area. This represents 155,898ha of land, an increase of 31% since January 2007. This growth trend is not consistent between countries, with substantial increases in England (35%) and Wales (100%) making up for reductions in Scotland (1%) and Northern Ireland (21%).

The area of fully organic grassland in the UK has increased by 4%. In January 2008 86% of the UK's fully organic land was grassland, constituting 449,275ha of permanent

30 The land statistics in this section of the report refer to the year to January 2008, as Defra publishes this data annually in the summer for the previous calendar year and so no more recent figures are available. The other statistics in this section, on organic conversion enquiries and production, refer to calendar year 2008.

31 Defra, Agricultural Quick Statistics (<http://statistics.defra.gov.uk>)

32 Organic land area statistics for January 2007 to January 2008 were released in July 2008.

Table 8
National distribution of organically managed land in the UK, 2006–08

		2006	2007	2008	Annual change (%) 2007–08
England	In conversion	52,152	64,465	87,283	35
	Organic	237,347	227,493	256,170	13
	Total	289,499	291,958	343,453	18
Wales	In conversion	12,804	15,391	30,855	100
	Organic	57,844	63,334	64,955	3
	Total	70,648	78,725	95,810	22
Scotland	In conversion	16,722	35,059	34,616	-1
	Organic	230,947	198,676	192,097	-3
	Total	247,669	233,735	226,713	-3
Northern Ireland	In conversion	3,165	3,958	3,144	-21
	Organic	5,358	5,093	7,267	43
	Total	8,523	9,051	10,411	15
UK	In conversion	84,842	118,874	155,898	31
	Organic	531,496	494,596	520,489	5
	Total	616,339	613,470	676,387	10

Table 9
National distribution of organically managed land (ha) in the UK, 2006–08

	2006	2007	2008	Annual change (%)
Eastern	254	267	275	3
East Midlands	218	236	245	4
Northeast	103	116	120	3
Northwest	170	173	187	8
Southeast and London	422	423	463	9
Southwest	1,162	1,282	1,453	13
West Midlands	338	351	368	5
Yorkshire & the Humber	140	155	165	6
England	2,807	3,003	3,276	9
Northern Ireland	219	240	246	3
Scotland	636	686	629	-8
Wales	681	710	804	13
UK Total	4,343	4,639	4,955	7

Table 10
Fully organic arable production (ha) in the UK, 2006–08

	2006	2007	2008	Annual change (%)
Barley	7,751	7,138	7,989	12
Maize	463	526	695	32
Oats	5,665	6,643	8,264	24
Oil crops	405	173	105	-39
Peas/beans	5,855	6,262	5,487	-12
Rye	306	445	434	-2
Set-aside	2,309	1,348	929	-31
Sugar beet	73	71	65	-8
Triticale	3,049	3,277	3,571	9
Wheat	19,384	16,591	16,420	-1
Not specified	1,365	1,491	1,706	14
Total	46,625	43,945	45,665	4

Figure 7
Organically managed land in the UK, 2000–08

	Fully organic land (ha)	In-conversion (ha)	Total organically managed land (ha)
2008	520,489	155,898	676,387
2007	494,596	118,874	613,470
2006	531,496	84,842	616,338
2005	634,000	52,000	686,000
2004	630,000	58,000	688,000
2003	534,000	192,000	726,000
2002	459,000	271,000	730,000
2001	240,000	313,000	553,000
2000	103,000	313,000	416,000

pasture or temporary leys. The area of land under horticultural production increased by 11% to 10,815ha, 2% of the organically managed land area. Land under arable production increased by 4% to 45,766ha.

Influenced by prescriptions to farmers under the Organic Entry Level Scheme, the amount of woodland certified as fully organic increased by 48% to 5,933ha. The amount of fully organic land under fodder and silage production increased by 20% to 7,105ha. It is encouraging to see horticultural and arable land increasing at a rate consistent with or exceeding grassland, even though both categories come from a lower base. This trend is in line with market conditions – there are opportunities to increase UK organic vegetable and fruit production to meet demand, and the UK is still heavily reliant on imported organic grains and protein crops.

There were 4,955 organic producers in the UK in January 2008, 7% more than a year previously. Scotland experienced an 8% reduction in numbers of organic producers while Northern Ireland, England and Wales experienced increases of 3%, 9% and 13% respectively.

Organic conversion statistics

England's Organic Conversion Information Service (OCIS) was reintroduced in March 2008 following its suspension in December 2006. It is now managed by Natural England on Defra's behalf. Advisory services were maintained in Wales throughout this period, through Organic Centre Wales.

In 2008, 481 enquiries were made to the OCIS in England and Wales. Of these, 379 (79%) were made in Wales, where a full advisory service was in operation throughout 2008. This represents an 11% reduction from the 426 enquiries in Wales in 2007. Comparing the number of enquiries made in England from April to December in 2006 to those made over the same period in 2008, a significant reduction in enquiries has occurred from 490 in 2006 to 102 in 2008.

Farmers and growers requested 552 advisory visits in England and Wales – 450 in Wales (up 14%) and 102 in England. There were 70% fewer advisory visits to English farms from April to December than in the same period in 2006.

In Scotland SAC provides Scottish government-funded advice for farmers considering conversion to organic production, and also for those who have already converted. The number of conversion enquiries fell from 47 in 2007 to 34 in 2008.

There has been a substantial drop in conversion enquiries compared to levels in 2006, when there were 143 enquiries. This is mainly a result of a delay in the approval and implementation of the Scottish Rural Development Programme (SRDP) 2007–13, which was approved in spring 2008. This delay meant that no conversion (or maintenance) support was available for approximately two years.

Organic farm incomes

The latest results from a Defra-funded project that monitors the economic performance of organic farms in England and Wales shows that performance is largely dependent on the type of farming operation.³³ Financial data were recorded from organic cropping, horticulture, lowland and less favoured area (LFA) dairy, lowland and LFA cattle and sheep farms, together with mixed farms.

Table 13 (page 46) shows the financial balance of 113 organic farms in 2006–07. The farm business income³⁴ for all farms was good. Financial returns were highest on

33 The report is published on the Defra organic statistics website (<http://statistics.defra.gov.uk>)

34 Reflects actual profitability of farm businesses, reflecting financial return to all unpaid labour and on all capital invested in the farm businesses, including land and buildings.

Figure 8
In-conversion land in the UK, 2000–08

In-conversion land	ha
2008	155,898
2007	118,874
2006	848,42
2005	52,000
2004	58,000
2003	192,000
2002	271,000
2001	313,000
2000	313,000

dairy lowland farms, with a similar level of profitability on cropping and dairy LFA farms. Cattle and sheep LFA and horticulture farms had the lowest business profitability.

Consistent with previous years, organic farms of all types continued to achieve a higher net income in comparison to non-organic farms. The average difference in net income between organic and non-organic farms increased substantially from 13% in 2005–06 to 52% in 2006–07. In 2006–2007 the difference in net income between LFA dairy organic and LFA dairy non-organic farms was 84%. This may be attributed to higher-value outputs and similar input costs on organic farms compared to non-organic systems.

Net farm incomes for dairy LFA, dairy lowland, cattle and sheep lowlands and mixed organic farms all increased between 2005–06 and 2006–07. A particularly pronounced income increase is evident on lowland cattle and sheep farms, as a result of higher output values and similar input costs between the years. A reduction in net income occurred in organic cattle and sheep LFA, horticulture and cropping farms over the same period. A dramatic reduction in net income is evident on horticulture farms between these years. However, this result must be considered with caution because an identical farm sample was not used to compare net income between 2005–06 and 2006–07.

Arable

Huge price movements, linked to dramatic fluctuations in the exchange rate, were the trademark of 2008. Like other markets, the organic sector has experienced opportunities and challenges.

At the beginning of 2008 there was strong demand for all organic livestock products, encouraging an increase in production and increasing demand for organic feed. As feed compounders, traders and livestock farmers sought to secure future feed supplies, feed prices soared.

Organic feed wheat prices eventually peaked above £320 ex-farm, although by then most farms had already sold out of stock from the 2007 harvest. Strong prices levels were achievable for all organic and in-conversion feed grains but milling wheat premiums were largely commanded by import supplies after a poor-quality UK harvest in 2007 had resulted in most crops in the middle of the country failing to achieve acceptable milling standards.

By February 2008 the import of substantial quantities of organic feed and milling wheat was confirmed, and values of organic grain remained firm up to the 2008 harvest. During the autumn of 2008, however, the ex-farm price for organic wheat in the UK fell to £220 – partly because of increased availability and partly because of traders having secured import contracts, see Figure 9 (page 44).

As new crops became available and prices dropped, buyers were increasingly inclined to stay away from the market. With arable farmers, traders and cereal processors all in possession of plenty of grain in a falling market, buyers were able to sit back and wait for prices to slide in the knowledge that adequate raw material supplies were available. As purchasing decisions were delayed, prices fell further. A hand-to-mouth buying strategy was adopted by buyers keen to avoid long-term forward contracts, and arable producers came under pressure to find outlets for crops and alleviate storage pressures.

The situation was exacerbated by two factors. Large volumes of imported organic feed grain had been contracted forward, due partly to the uncertainties of the previous season. In addition, some significant larger-scale pig and poultry producers had ceased production because of the effects of the economic downturn on their sales. The unfortunate result was that UK organic grain found itself as second choice for the

Table 11
Average net farm incomes 2005–06 and 2006–07

	2005–06	2006–07
Cropping (n=9)		
Organic	63,454	45,344
Non-organic	22,951	23,089
Horticulture (n=6)		
Non-organic	89,060	25,681
Dairy LFA (n=5)		
Organic	19,605	31,166
Non-organic	15,621	5,141
Dairy lowland (n=11)		
Organic	32,844	59,200
Non-organic	27,344	15,802
Cattle and sheep lowland (n=12)		
Organic	5,475	19,340
Non-organic	11,979	12,858
Cattle and sheep LFA (n=17)		
Organic	24,035	22,045
Non-organic	16,122	11,937
Mixed (n=6)		
Organic	15,172	24,853
Non-organic	5,347	18,076

n = number of organic farms within the identical dataset

main volume buyers until imported grain had been used. A lack of co-ordination and shared objectives between feed compounders and farmers led to a damaging situation for both parties.

As organic sales suffered as a result of the economic crisis, trading conditions became tough. It has taken time for the organic grain market to come into balance. Some early imports of organic milling oats, contracted at market highs, also overhung demand during the autumn. This made it difficult to achieve movement of farm stocks. Typical post harvest ex-farm prices for organic milling oats were £160–170 per tonne.

The sustained wet harvest resulted in an almost total loss of domestically produced organic milling wheat. Most of the supplies required by the market were consequently provided by old import stocks through to Christmas 2008. Premiums for low-grade milling wheat have been good at £50–60/tonne over organic feed wheat, although the price slid to £170–180 ex-farm as selling pressure increased towards the end of the year, see Figure 10 (page 44).

Horticulture

Organic vegetable producers experienced two of the worst growing seasons for 30 years in 2007 and 2008, characterised by reductions in yields and blighted by entire crop failures. To make matters worse, cool wet summers have reduced demand for traditional summer crops, with one grower having to plough in 30% of his lettuce crop.

Changing weather patterns may make it necessary for growers to completely re-evaluate which crops to grow, taking account of hotter summers and wetter winters. However, some traditional crops saw renewed popularity in 2008 – including broad beans, spring greens and fresh herbs.

Alongside difficult growing conditions, growers are also faced with significant challenges as a result of the economic downturn. There is a perception – often wrong – that fresh organically grown produce is more expensive than its non-organic counterpart. This has contributed to a levelling off and, in many cases, a reduction in sales – even for those producers selling directly to their customers. There is also anecdotal evidence that some committed organic purchasers are growing more vegetables themselves – mainly easier-to-grow crops such as lettuce and beans.

Most producers are faced with having to be more creative and persistent in their marketing to survive, whilst cutting back on production and staffing. A small number of growers are even pulling out of production altogether – although in most cases their land is not going out of organic production but being turned over to other crops or to livestock.

Table 12
Fully organic horticultural production (ha) in the UK, 2006–08

	2006	2007	2008	Annual change (%)
Alliums and root vegetables	1,557	1,918	2,111	10
Potatoes	1,873	2,063	2,550	24
Green vegetables, salads and protected crops	3,197	3,301	4,037	22
Fruit	1,568	1,784	1,467	-18
Herbs	619	616	486	-21
Flowers and ornamentals	31	22	9	-59
Total	8,845	9,704	10,660	10

Top fruit growers have not suffered in the same way as vegetable producers. Dry springs have kept scab levels controllable and, with two years of good fruit set, yields have been good. In addition, the weakening of sterling in late 2008 and early 2009 added an extra boost at the tail end of the supply.

UK self-sufficiency is still very low in organic fruit, even for crops that grow well in the UK. Many of the supermarkets were unable to supply UK organic apples beyond October. The large orchards planted in the last couple of years are not yet at full production, so UK supply is set to increase. However, there should still be additional opportunities for fruit growers in the coming years.

The likely effects of peak oil and climate change, as well as changing customer demands, make the UK's organic horticultural producers potentially well placed to compete with both imports and produce from non-organic systems. However, in the short term there may still be challenging times ahead. Price-comparison marketing is essential to ensure customers are aware of the value available from local sales of unprocessed organic produce.

Seed

In 2008 there was a slight increase in the number of incidences of certifiers authorising producers to use non-organic seed – a practice permitted as a last resort when organic seed supplies are in short supply. This increase was partly because steady growth in the organic market had resulted in an upturn in the number of farmers converting to organic production and therefore buying seed. It was also partly due to data collection methods being improved and more data being collected.

A high level of non-organic seed use in organic farming is undesirable for a number of reasons:

- It is out of step with the principles of the organic movement
- It risks creating two-tier seed costs for farmers
- It is likely to reduce the availability of varieties particularly suited to organic growing
- Compared to organic, non-organic seed production causes greater environmental damage
- It might undermine public trust in organic production.

The potato sector has seen a 43% increase in the use of non-organic seed, from 1,169 tonnes in 2007 to 1,666 tonnes in 2008. This increase partly reflects the increased demands of a growing market that lacks commensurate growth in organic potato seed production. Weather conditions were so poor in the summer and autumn of 2007 that organic potato seed production actually fell rather than increased.

There has been an increase in the number of allowances for non-organic arable seed this year, most of which has been for spring barley. In general, arable and cereal crops have seen an increase in derogations for spring crops, which may be attributed to poor weather conditions during the summer and autumn of 2007. This led to farmers delaying sowing until spring, with a resultant shift from winter to spring crops, and may also explain the reduction in derogations for most winter-sown arable crops.

In the horticultural sector poor weather conditions have reduced organic seed production across Europe for the past two years. As a result there is a lack of confidence among growers in the range of organic seed available. The range of vegetables and varieties already grown in the horticultural sector means that seed companies are wary of offering new organic varieties without a commercial incentive.

The Grass Seed Working Group agreed in 2008 to retain the approved percentage of organic seed used at 65% for a further year at least. This decision was made due

Figure 9
Average price for organic feed crops in the UK, 2006–08

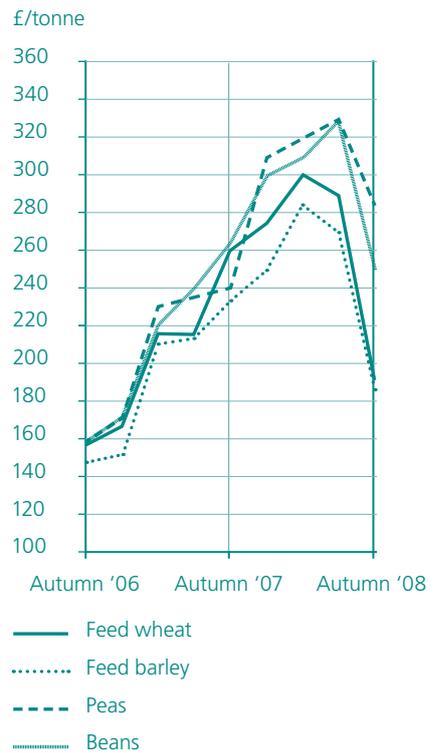
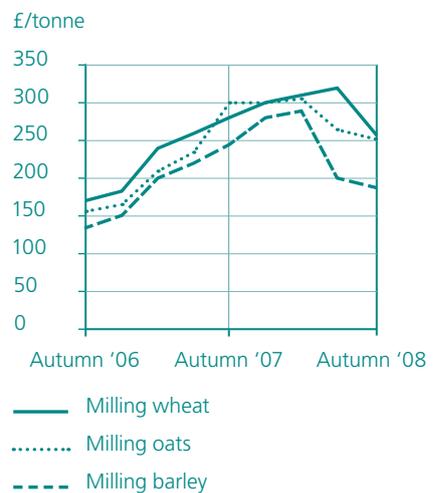


Figure 10
Average farmgate price for organic milling crops in the UK, 2006–08



to very poor harvest conditions for grass seed production and serious concerns over the regulation leading to less suitable species and variety mixtures being selected for agronomic purposes.

Livestock

Beef

According to TNS Worldpanel data, beef accounts for 2.7% of take-home sales of organic products in the UK. On the basis of this, the Soil Association estimates that multiple retail sales of organic beef were worth £41.7 million in 2008.

The year began with good demand and increased prices (£3.40/kg), offering some profitability to organic beef farmers. In July, however, prices fell to £2.80/kg as demand started to falter. By the early autumn demand was falling further as supermarket shoppers 'traded down' to cheaper cuts or away from organic altogether. One welcome impact of this was a reduction of organic beef imports practically to zero, and an increase in demand for organic cull cows to the point where the price of culls was close to that of prime beef.

By the end of the year demand had stabilised slightly, and farmgate prices were generally over £3/kg again. This improvement has continued in 2009. Total volume demand in 2008 was similar to that of 2007 for most supermarkets, although one or two retailers saw a significant overall reduction. However, for all retailers, demand for cheaper cuts such as mince and stewing beef increased at the expense of steaks and more expensive cuts. The range of cuts available, particularly online, has reduced over the year for some retailers, reflecting a reduced demand.

Supply increased modestly overall, although a number of producers, particularly of store cattle, reduced production levels as profitability was squeezed. Industry attempts to increase the uptake of dairy beef was put on hold in 2008 as demand and prices fell in the latter part of the year.

Any downturn in demand has been felt most through supermarket sales, which still account for the bulk of organic meat sales. In most cases direct sales through farmers' markets and farm shops have been hit less hard.

Lamb

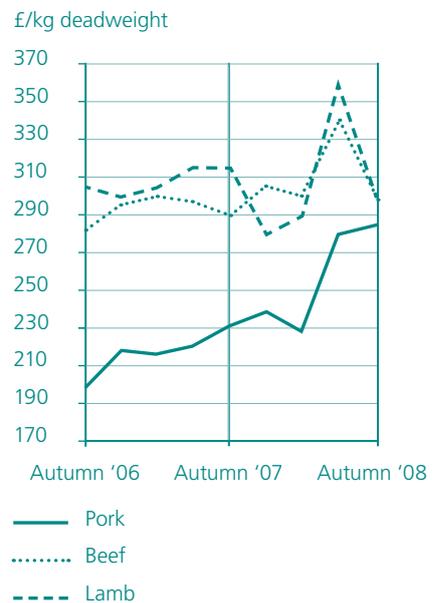
According to TNS Worldpanel data, lamb accounts for 1.2% of take-home sales of organic products in the UK. The Soil Association estimates that multiple retail sales of organic lamb were worth £18.5 million in 2008.

Like beef, lamb suffered reduced demand from supermarkets in the last six months of 2008. For the second year running imports were insignificant, as UK production exceeded demand.

Prices fell through the autumn to very low levels (£2.60/kg), and organic premiums disappeared entirely for a while. As a result, many organic lambs were lost to the non-organic lamb market, which remained largely undersupplied and enjoyed relatively good prices because of strong export demand. Early 2009 showed signs of undersupply, due to the diversion of animals into the non-organic market, and a lack of confidence among sellers of store lambs.

New conversions continue to increase the supply of organic lambs, and a large increase in supply is expected in 2010 as organic conversion grants attract further grassland conversions in some regions. Unless new markets are found, this may have an adverse impact. Much will depend on the strength of the non-organic market and whether many of the lambs being produced on newly converting farms meet the specifications that the majority of organic lamb has to meet. Current low prices

Figure 11
Average farmgate price for organic livestock in the UK, 2006–08



for organic lamb do offer an opportunity both to boost consumer interest and sales and to challenge preconceptions that organic meat is likely to be significantly more expensive than non-organic.

Pork

According to TNS Worldpanel data, pork accounts for 0.7% of take-home sales of organic products in the UK. The Soil Association estimates that multiple retail sales of organic pork amounted to £10.8 million in 2008.

It has been a rollercoaster year for organic pork production. The strong demand for UK supplies in 2006 led to increases in production through 2007, and in 2008 an estimated 1,800–2,000 pigs were slaughtered per week. This is almost double the number reported in 2006.

Most of these pigs were destined for supermarket shelves, either as fresh pork or processed bacon, sausages and ham. However, direct and independent sales also grew strongly, continuing a trend that was accelerated by the last serious downturn in the pig cycle in 2004, as farmers sought more secure markets for their products.

Feed costs were high throughout 2008, increasing the cost of organic pork production. Many farmers were paying over £350/tonne for feed. Despite reductions in

Table 13
Summary of financial data for different organic farm types, 2006–07

	Cropping	Horticulture	Dairy LFA	Dairy lowland	Cattle and sheep lowland	Cattle and sheep LFA	Mixed
Sample size	15	8	6	23	23	29	9
Average farm size (ha)	167.6	22.6	90.4	129.5	91.7	144.9	121.3
Average Business Size	90	155.9	76.1	168.6	24.2	35.6	50.7
Outputs							
Livestock	30,670.8	8,712	122,672.8	235,819.5	29,252.3	47,382.3	38,816
Cropping	89,330.8	97,672	361.6	4,144	2,567.6	1,738.8	30,931.5
Protein/energy support	167.6	0	0	0	0	0	0
Miscellaneous	30,670.8	22,088	7,232	17,223.5	9,628.5	14,490	11,280.9
Agri-environment payments	18,603.6	475	9,582.4	10,101	9,628.5	19,416.6	7,763.2
Subsidies/single payment	35,866.4	1,481	11,390.4	28,878.5	15,680.7	25,937.1	26,686
	205,310	130,427	151,148.8	296,166.5	66,849.3	108,964.8	115,598.9
Inputs							
Livestock	13,072.8	6,812	49,177.6	91,427	10,270.4	19,126.8	14,798.6
Cropping	16,927.6	17,123	37,06.4	63,45.5	1,375.5	2,898	6,792.8
Labour	27,151.2	32,318	16,814.4	33,152	5,777.1	11,157.3	9,582.7
Machinery	43,576	19,142	23,684.8	45,066	15,130.5	22,024.8	27,777.7
General	16,257.2	10,535	9,763.2	21,885.5	8,253	10,287.9	9,704
Land and rent	42,905.6	18,815	16,904.8	41,310.5	17,147.9	24,633	22,076.6
	160,058	104,746	119,960.8	232,711.5	57,862.7	90,272.7	90,732.4
Net farm income	45,419.6	25,681	31,188	56,980	8,894.9	18,837	24,866.5
Farm business income	48,771.6	27,342	48,544.8	59,311	30,261	25,212.6	28,141.6

UK cereal prices, the price of compounded feed has not returned to more manageable levels, due to a shortage of organic protein crops, and the weakness of sterling. Average costs of production have risen to at least £2.60/kg/dwt.

Not all producers have been able to recoup the cost of production, let alone a margin. This means that, yet again, production is falling as farmers scale back or cease organic pig keeping. It is estimated that average production in 2009 will be in the region of 1,100–1,200 pigs per week at most.

The situation was further complicated in 2008 by the foot and mouth outbreak in late 2007. Although not a major outbreak, it prevented exports for several months. Given the historic and continuing difficulties in selling organic pork legs in the UK market, this caused problems for some processors. With the rise in UK pig numbers largely due to the bold initiative of one or two major processors and their retail customers, imports from lower standard EU systems fell in 2008. Imports of pork produced in Sweden to Soil Association standards were also a factor in this. It is to be hoped that processors and retailers will increase their commitment to UK-produced pigs in 2009.

Confidence in organic pork has wavered through the early days of the economic downturn, exacerbated by the distractions of mergers and take-overs in the meat processing world. Retailers have been even more reluctant to offer long-term, cost-based contracts, and this means that processors and farmers can be left holding an expensive piglet with no viable market.

This trend has been made worse by the extreme reluctance of retailers to buy the carcase in balance, despite earlier well-meant promises. Out-of-balance, expensive carcase meat is a luxury processors cannot afford, so they are choosing to scale back their organic operations. This is occurring to the extent that retailers will soon be left short of their favoured cuts.

Whilst branded sales of processed products seem to be holding up well, sales overall were reported down in most retailers by the end of 2008, by around 20% – although direct and independent sales were less badly affected. There was an uplift in February 2009 as consumers responded to the welfare issues highlighted in the Channel Four programme *Jamie Saves Our Bacon* and the RSPCA's Rooting for Pigs campaign.

Poultry

According to TNS Worldpanel data, poultry accounts for 2.9% of take-home sales of organic products in the UK. The Soil Association estimates that multiple retail sales of organic poultry were worth £44.8 million in 2008. TNS has also reported that the proportion of chicken sales accounted for by organic chicken rose from 0.8% in the year to October 2007 to 0.9% in the year to October 2008.

Organic poultry sales experienced substantial growth up to January 2008. TNS data for that month showed 40% annual growth in sales volume and 56% in market value. This growth trend was maintained until July 2008 – despite limited availability. From July onwards, however, sales slowed down.

Reports at the end of 2008 highlighted significant reductions in organic chicken production at a small and large scale. This may be attributed in part to the high price of organic feed, which prompted many producers to increase prices beyond what consumers or retailers were prepared to pay. Although the welfare of chicken during production is still considered to be the greatest motivator for consumers, some shoppers are 'trading down' to free-range poultry.

Despite a downturn in the organic poultry market in the second half of 2008, Christmas goose sales are reported to have held up well. Demand from the retail and direct markets has been variable, however. It is difficult to predict how the organic goose market will perform in 2009, although a reduction in demand for goslings was reported in January.

The circumstances that the poultry market is likely to face in 2009 present a challenge

to producers who cannot reduce production levels on short timescales. While large-scale outlets continue to promote organic products, such promotions are not sustainable over long timescales. In March 2009 one leading processor reported a reduction in the number of organic table birds slaughtered to under 45,000 a month from 70,000 in March 2008.

Eggs

The quarterly UK egg packing survey records the number and type of all Class A eggs passing over a grader. The survey shows that the number of organic eggs packed on a quarterly basis rose by 14% between 2006 and 2008. On average, 107,640 organic eggs were packed every three months in 2006. This figure increased to 122,760 in 2007, and then declined slightly to 122,400 in 2008.

According to TNS Worldpanel data, eggs account for 3.9% of take-home sales of organic products in the UK. The Soil Association estimates that multiple retail sales of organic eggs were worth £60.2 million in 2008.

The marginal reduction in the number of eggs packed between 2007 and 2008 may be attributed to a decrease in packing numbers in the last six months of 2008. Production of free-range eggs increased by 22% between 2006 and 2008, while the number of barn eggs packed declined by 25% and the number of cage eggs by 4%.

In the early part of 2008 both free-range and organic eggs experienced strong growth. A double-digit percentage increase in sales was reported in January, while cage egg sales experienced a decline in sales for the first time in two years. This growth trend continued throughout February and March, but by May the organic market was reportedly in decline, partly due to inflation in production costs. Despite an increase in sale prices, producers struggled to match the sale price with the additional cost of feed during the summer months.

By June 2008 there was a division in egg sales. Free-range and value lines continued to grow, while standard cage and organic eggs sales dropped. Through the latter months of 2008 attempts to promote organic eggs helped to sustain sales figures to some extent. However, sales continued to decrease as some consumers who had previously bought organic 'traded down' to buy free-range eggs. Despite a weakened retail market, specialist outlets for sales were reported to be maintaining sales levels at the end of 2008.

In the spring of 2008 the average retail price for a dozen medium organic eggs was £3.62, with eggs through direct sales making £3.15/dozen and contract eggs making £1.70/dozen. Despite increasing costs of production, prices did not change markedly into the summer, and by the autumn the average retail price had dropped slightly to £3.58/dozen with eggs sold though direct sales making £3/dozen and contract eggs making £1.87/dozen.

Milk

It has been a year of many changes in the organic dairy sector. The beginning of the year saw a continuation of the supply shortage that started in late 2005, requiring milk to be imported from mainland Europe to meet UK demand. During 2008, however, the flow of international trade was reversed. New UK supplies became available from producers who had started organic conversion in 2006. This, coupled with favourable movements in the sterling/euro exchange rate, led to organic milk being exported from

Table 14
Average organic egg prices, pence per dozen, 2006–08

	2006	2007	2008
Direct	275	285	300
Contract	139	148	186

Figure 12
Number of eggs packed at quarterly intervals

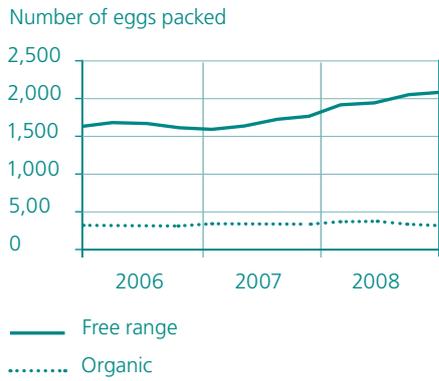
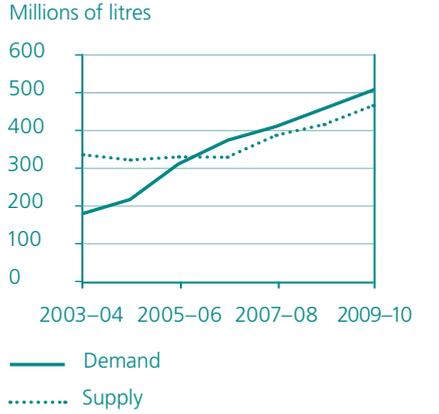


Figure 13
Demand for and supply of UK organic milk, 2003–10



the UK to cover supply shortages in mainland Europe. This turnaround highlights the perpetual difficulty of matching supply to demand when demand needs to be forecast up to three years in advance.

Volatility was not confined to supply and demand volumes, but also extended to prices. There were variations in milk prices and the cost of inputs such as feed and energy of a magnitude that has not been seen for many years. The organic farmgate milk price rose in 2008 to around 34p/l from 28p/l in 2007 and 25p/l in 2006. Unfortunately a large proportion of the increase in farmgate prices has been absorbed by higher input prices – especially feed costs, which rose to £420/tonne for a typical dairy feed.

Fortunately for dairy farmers, organic and non-organic cereal prices have fallen post-harvest in 2008. Organic concentrate feed prices have remained stubbornly high, however, ending the year at around £350/tonne. This has resulted in a resurgence of interest in farm-to-farm trading of straights and mixing rations on farm.

The relative attractiveness of organic and non-organic production is demonstrated by the amount of production that starts organic conversion in a particular year. In 2006, when organic prices rose against static non-organic ones, production capacity equivalent to 90 million additional litres of organic milk per year started conversion. This reduced to 53 million litres in 2007 as non-organic returns improved, and has now virtually stopped – only 5 million litres are starting conversion in 2008. This sends a clear signal that organic farmgate returns are not sufficient to attract the new entrants that will be required if the market continues to grow.

On the demand side organic dairy has been a bright spot within the organic market in 2008. Both milk and cheese sales increased, by 10.6% and 11.5% respectively, according to TNS Worldpanel data. The reason for the resilience of organic dairy in difficult trading circumstances can be attributed in part to successful communication of the nutritional differences between organic and non-organic milk. Comparatively low price premiums are also a factor, as the difference between the retail prices for organic and non-organic milk can be as little as 15%.

The recent resilience of demand, combined with the fact that organic dairy products still only command a 3% share of the dairy market, could provide a positive outlook for existing and future organic dairy farmers. Much will depend, however, on the duration of the current economic downturn.

Aquaculture

Salmon

Last year's UK harvest of organic salmon was approximately 5,500 tonnes, an increase of 12% since 2006. The increase was due to new farms harvesting rather than increases in production by existing farmers. Some planned annual tonnage increases have been inhibited by Pancreas Disease, sea lice and stock losses to the sea.

Current organic salmon production is approximately 4% of total UK salmon production. This is expected to remain relatively unchanged through 2009, as one farmer is ceasing organic production while others intend to increase their output.

In early 2008 demand from the UK, European and US markets remained consistent. Towards the end of the year, however, there was a slight reduction in demand due to a combination of the normal seasonal gap, some volume restriction due to size, and the downturn in the economy.

As a result of the changing market, prices fluctuated throughout 2008. Prices have ranged from £4.60/kg to £2.60/kg but average prices have remained between £3.50 and £4/kg. It remains to be seen what impact shifting exchange rates will have on sales and prices.

Good industry data – from ova³⁵ figures to smolt³⁶ placement, through the growing cycle, and harvest tonnages – allow the prediction of future harvests. However, a lack of centralised data is still a shared complaint in the UK, the rest of Europe and the United States.

Existing farmers are expected to maintain stable production levels in 2009. However, a slight decrease in the number of organic farms – combined with previously mentioned challenges – means that a harvest of 6,000 tonnes is predicted for 2009. While Irish production is thought to have been approximately 7,000 tonnes during 2008, this could increase to 8,500 tonnes from 2009 into 2010 as more farms move into organic production.

There is a concern that there may be an oversupply of organic salmon in 2009, as Norway is expected to treble its production to approximately 3,000 tonnes. This may have a negative impact on price and market stability.

Many farmers who have reliable partnerships with processors and retailers remain confident about the prospects for 2009. But there is some concern that not as many organic salmon smolts as budgeted will be put to sea during 2009, and farmers are concerned about the current recession affecting future sales.

The organic salmon market has shown resilience throughout previous recessions and economic downturns. There has been some evidence to suggest that the economic downturn has affected sales and that some organic tonnage fed on phaffia pigment³⁷ has been sold onto the non-organic salmon market. An emerging debate among producers is whether full phaffia-pigmented organic salmon now outnumber shrimpshell/phaffia-fed organic salmon. The pale organic salmon market is still active but it is a niche market. At a time of market uncertainty, phaffia-fed organic salmon may offer a more reliable income base as a result of its aesthetic compatibility with non-organic salmon.

Trout

Demand remains strong, and a number of farms are planning to expand to new sites or increase biomass within current farming operations. However, some farmers are experiencing resistance from environmental bodies. Consistent reports are emerging that a number of small trout producers in Europe are looking to switch into organic production of trout.

Cod and carp

Last year saw the closure of farmed organic cod production in the UK. The last fish were harvested in October 2008.

There is one Soil Association-licensed organic carp farm, and the Soil Association is working with that producer to further develop the potential of carp as a freshwater food fish in the UK.

National and regional trends

England

In January 2008 there were 343,453ha of organically managed land in England – an annual increase of 18%. In-conversion land increased by 35% to 87,283ha over the same time period, while fully organic land increased by 13% to 25,617ha. The amount of organic and in-conversion producers increased by 9% to 3,276 in the year up to 2008.

Southwest England³⁸

There were 153,177ha of organically managed land in the Southwest in January 2008, an increase of 24% since January 2007. The amount of in-conversion land increased to 47,719ha, an increase of 55%, while the amount of fully organic land rose by 24% to 153,177ha. There were 1,453 in-conversion and organic producers in January 2008, a growth of 13% since January 2007.

More than three-quarters of holdings in the Southwest stock beef and sheep. These producers were affected by a two-year low in the summer beef price, with organic lamb trading at the same price as non-organic. A major reason for the difficulties experienced by beef and sheep farmers in this region is the concentration of organic livestock slaughtering in Wales, which means that stock usually have to be transported long distances and are often at the end of the queue in terms of access to the national market. Buyers in Cornwall report that supply of organic stock is double that required in the market, largely as a result of falling retail demand for organic meat. Local buyers are encouraging 'out of season' production to balance supply and demand.

Leading poultry producer Lloyd Maunder Ltd changed its name to 2 Sisters Willand in November after being bought by the 2 Sisters Food Group earlier in the year. The company has increased overall output but reduced organic production following a drop in retail demand during the summer.

It has become increasingly hard for Southwest dairy producers to cover the rising cost of production within the price paid per litre for organic milk. Early in 2009 Yeo Valley Organic reported that trading within the dairy market had become very tough, but still recorded an increase in sales in the previous 12 months.

Horticulture producers in the Southwest have experienced difficult weather conditions for two consecutive years. Riverford Organics reports limited sales growth since spring 2007, but with considerable inputs required to maintain sales.

Northern England – Northeast, Northwest, Yorkshire and the Humber

In January 2008 there were 67,116ha of organically managed land in the northern region, representing an annual increase of 7%. The amount of in-conversion land increased marginally from 11,723ha to 11,903ha, while fully organic land increased by 8% to 55,212ha. There were a total of 472 organic and in-conversion producers, an increase of 6% since January 2007.

Growers throughout the North found 2008 to be an exceptionally challenging year. A difficult spring, with ground alternating between being too wet and too dry, was followed by a summer blighted by heavy rain – 150% of the seasonal average in many areas. Established growers have faced difficulties as reliable crops have failed or been left unharvested in the field.

Producers retailing through direct sales or box schemes lost regular orders, in part because of consumer panic induced by calls to austerity in the face of the downturn. There was some evidence of customers returning to box schemes during the autumn, but customer recruitment and retention looks set to remain a challenge for both local box schemes and the national franchises that operate in the region.

Production levels of red meat have largely been maintained but producers have had to contend with sluggish demand for prime animals. The demand for organic milk has held up relatively well, but the number of new conversions reaching full organic status in 2008 and early 2009 has been causing some concern about the possibility of an oversupply situation.

The Northwest is particularly important for organic milk production, and dairy farmers continue to support Northwest Organic Milk Producers – a producer co-op that employs a specialist marketing consultant to keep up demand and develop new markets in the north of England. This has proved to be an effective strategy for those selling wholesale, and has helped a number of those selling direct to find new markets.

35 Ova: salmon eggs.

36 Smolt: a salmon juvenile that is seawater tolerant and displays a number of indicators to show that the fish is ready to make the journey from freshwater to seawater.

37 Feeding phaffia pigment to fish gives the salmon fillet a much redder colour, which makes it aesthetically similar to non-organic salmon.

38 The Southwest and northern regions are reported on because they have dedicated organic development programmes, enabling the collection of specific market information. The Soil Association recognises the considerable range of organic activity in the other English regions that is not specifically mentioned in this report.

Many supermarkets in the North have only offered a limited range of organic and regional organic produce. Any hope of immediate progress in overcoming this appears to have been stalled by concerns over price and competition for shelf space from other brands.

A number of successful wholesalers and retailers have emerged in the region, and it is noteworthy that some of the success stories in this sector are cooperative enterprises. An example of this approach is the multiple award-winning Unicorn Grocery in Chorlton, which has developed an innovative approach to urban food supply in south Manchester. Such business models may offer lessons for the future of organic growing and retailing in the North.

Northern Ireland

In recent years Northern Ireland has seen a greater rate of increase in organically managed land than the rest of the UK. However, at 1% the proportion of organic land is still much lower than in other parts of the UK. This means there are significant opportunities for development.

The amount of organically managed land in Northern Ireland increased by 15% in the year to January 2008, reaching 10,411 ha. In-conversion land area decreased by 21% to 3,144 ha, while the amount of fully organic land increased by 43% to 7,267 ha. The number of in-conversion and organic producers rose to 246, a marginal increase of 3%.

Organic farms currently produce mainly dairy products, beef, sheep, poultry and eggs, supplying both local markets and the rest of the UK and beyond. There are over 50 organic processors and several successful vegetable box schemes and specialist shops.

Northern Ireland's multiple and independent retailers have tended to show little interest in supplying organic produce. Following the relatively recent arrival of the main UK supermarket chains, however, there has been increasing availability of organic products and the local market expanded to approximately £30 million in 2008.

The Organic Action Plan Group for Northern Ireland has been advising the Department of Agriculture and Rural Development (DARD) and supporting the development of the organic sector in line with the Organic Action Plan published in 2006. A new support scheme for organic farmers was introduced in 2008, including conversion payments through the Organic Farming Scheme. Higher rates are offered for arable and horticultural conversion with the objective of encouraging greater production of organic cereals and vegetables.

Payments rewarding the environmental benefits of organic farming are also available through the Countryside Management Scheme. With the support of DARD, the Organic Action Plan Group has produced a promotional leaflet as well as resources for schools. These are linked to the Northern Ireland curriculum and are based on the successful Soil Association materials.

During 2008 the Group completed its work and prepared a new integrated development strategy for the organic sector in Northern Ireland. DARD is currently exploring various options in relation to a potential new advisory group.

Scotland

Between January 2007 and January 2008 the amount of organically managed land in Scotland fell by 3% to 226,713ha. Numbers of in-conversion and organic producers fell by 8% to 860.

There was a substantial reduction in the number of initial enquiries about organic conversion in Scotland during 2007 and 2008, compared with 2006. This decline in interest may be attributed to the delay in the approval and implementation of the SRDP 2007–13. Within the SRDP the Rural Development Contracts Rural Priorities

initiative opened for applications in summer 2008. The contracts associated with this scheme provide funding for proposals that deliver agreed regional priorities which in turn help to achieve key SRDP outcomes, including sustainable rural communities and the protection and enhancement of biodiversity and landscapes.

Organic producers in Scotland faced a number of challenges towards the end of 2008. Livestock producers experienced a smaller price premium for volume sales of organic beef and lamb, together with reduced demand for their stock because of increased availability of stock in England and Wales. However, direct marketing continued to remain relatively buoyant in Scotland – particularly for vegetable boxes and meat – and the demand for Scottish organic milk continued to be good.

The Organic Market Link Project carried out a fifth annual producer survey for the 2008–09 marketing season in order to estimate production of organic beef, lamb and grain in Scotland. The survey results indicate that between July 2008 and June 2009, Scotland’s organic farmers will produce 8,173 head of finished organic cattle (a 17% increase compared to the previous year), 99,748 organic lambs, 20,538 organic pigs and 318,340 table birds. The production of fully organic grains and pulses will increase to 22,500 tonnes. The survey found that an estimated 41% of these grains will be retained for on-farm use.³⁹

Wales

In January 2008 there were 95,810ha of organically managed land in Wales, equivalent to 6% of total agricultural land and an annual increase of 22%. In-conversion land doubled to 30,855, while fully organic land increased by 3% to 64,955ha. The number of in-conversion and organic producers increased by 13% to 804, and this is estimated to have increased further to around 1,000 in January 2009.

This growth in the number of producers and the area of land coming into conversion in Wales meant that when the Organic Farming Scheme (OFS) re-opened in May 2008, there were around 370 new producer applicants who had converted in the previous two years. Increases in production have mainly occurred in the beef and sheep sector, with a small number of milk, arable, poultry and horticultural producers coming through.

The large number of new converters has put pressure on the Welsh Organic Farming Scheme budget. As a result the number of places available in 2009 will be restricted. In a significant change to the previous versions of the scheme, producers will need to receive confirmation of whether they will receive OFS money before they start converting. The scheme reopened for a three-week window in March 2009, in order for a limited number of applications to be made for claims under the 2009 SAF.

An autumn 2008 survey⁴⁰ of all Welsh organic producers indicated that most were not planning significant changes in 2009, though horticulture and dairy sectors were expected to increase output. Confidence (measured by whether producers think prices are high enough to stay in organic production and intentions regarding expansion/contraction) was lower for beef and sheep producers. There were concerns about the impact of the large number of converters on the organic beef and lamb market when their produce comes on line over the next two or three years.

In 2009 additional money will be made available to Welsh businesses for cooperative projects through the EU-funded Supply Chain Efficiencies programme. Organic Centre Wales will be submitting a proposal on behalf of the organic sector in Wales, potentially creating a number of exciting opportunities for producers, processors and retailers.

39 Production figures for cattle, lamb and grains/pulses are based on data for more than 90% of producers in Scotland. Production estimates for table birds and pigs are based on data for approximately 66% of organic producers in Scotland.

40 Organic Centre Wales (2008) *Welsh Organic Production and Market Report 2008* – see <http://www.organic.aber.ac.uk/survey2008/producersurveyreport2008.pdf>

Table 15
Organically managed land in Scotland 2006–08

	2006	2007	2008	Annual change (%)
Grassland	233,909	219,388	211,718	-3
Horticulture	1,172	1,733	1,777	3
Arable	7,865	9,464	10,083	7
Woodland	918	1,249	1,259	1
Fodder/silage/other	818	988	964	-2
Unknown	2987	913	913	0
Total	247,669	233,735	226,713	-3

Table 16
Organically managed land in Wales 2006–08

	2006	2007	2008	Annual change (%)
Grassland	66,116	73,287	89,565	22
Horticulture	541	587	686	17
Arable	2,587	2,837	3,048	7
Woodland	760	991	901	-9
Fodder/silage/other	577	699	1297	86
Unknown	68	324	313	-3
Total	70,648	78,725	95,810	22

Table 17
Organically managed land in Northern Ireland 2006–08

	2006	2007	2008	Annual change (%)
Grassland	7,527	8,499	9,500	12
Horticulture	67	55	79	44
Arable	361	294	519	77
Woodland	116	115	243	111
Fodder/silage/other	45	74	44	-41
Unknown	407	14	26	83
Total	8,523	9,051	10,410	15

Table 18
Organically managed land in England (ha), 2006–08

	2006	2007	2008	Annual change (%)
Grassland	218,685	224,096	266,352	19
Horticulture	7,846	8,587	9,861	15
Arable	49,848	46,378	49,301	6
Woodland	5,063	5,805	9,082	56
Fodder/silage/other	7,025	6,698	7,076	6
Unknown	1,031	393	1,781	353
Total	289,499	293,964	343,453	17
East Midlands				
In-conversion	2,417	2,017	2,968	47.1
Organic	12,939	12,337	13,079	6.0
Total	15,356	4,354	16,047	11.8
Eastern				
In-conversion	2,561	3,534	5,119	44.9
Organic	1,622	10,480	12,452	18.8
Total	14,184	14,014	17,571	25.4
Northeast				
In-conversion	6,442	6,825	4,668	-31.6
Organic	30,113	22,444	25,324	12.8
Total	36,555	29,269	29,992	2.5
Northwest				
In-conversion	3,222	1,767	3,212	81.8
Organic	18,820	19,386	20,421	5.3
Total	22,042	21,154	23,633	11.7
Southeast (incl London)				
In-conversion	10,211	12,387	13,915	12.3
Organic	34,867	35,125	41,989	19.5
Total	44,616	47,512	55,903	17.7
Southwest				
In-conversion	21,802	30,864	47,719	54.6
Organic	93,271	92,673	105,458	13.8
Total	115,072	123,537	153,177	24.0
West Midlands				
In-conversion	3,205	3,940	5,659	43.6
Organic	26,844	26,205	27,980	6.8
Total	30,049	30,144	33,639	11.6
Yorkshire & the Humber				
In-conversion	2,291	3,131	4,024	28.5
Organic	8,872	8,842	9,467	7.1
Total	11,163	11,973	13,491	12.7
England totals				
In-conversion	52,152	64,465	87,283	35.4
Organic	237,347	227,493	256,170	12.6
Total	289,499	291,958	343,453	17.6

A grower perspective **Alan Schofield, Growing With Nature**

I am writing these words on a sunny day in mid-February, and the memories of two disastrous growing seasons in succession are fading fast as spring's optimism dawns once more.

I am under no illusions, however, about the challenges we face. Our business is smaller than it was two years ago, partly because of the weather and the crops we lost and partly because of the financial situation our society is now in. Confidence in all things has been lost and hope for the future is hard to find.

Over the past year it has been harder to find new customers, with the response to our leaflet drops at an all-time low. Some customers who are looking to save money see our weekly box of vegetables as a saving that can be made, despite the fact that our produce represents better value now than at any time in our history.

Many people we talk to have the impression that if it is organic, then it must be expensive. Since we started we have seen thousands of products licensed as organic, and many of these are luxury items. The promotion of sustainable organic growing systems – and the benefits of eating a diet based on fresh, locally grown organic vegetables and salads – seem to have been lost in a world of expensive, glossy, over-packaged processed foods. Why cook it yourself if you can buy it ready to eat?

Here lies our challenge for the future: to explain to people why it is important to cook it yourself, from raw ingredients sourced as locally as possible.

As growers we have an amazing resource, and that is our organic holdings. We need to engage much more with the public to explain why, in a time of looming climate change and global recession, food matters more than ever. It matters where it comes from and it matters how it is grown.

In a rapidly changing world the future security of our food supply is going to become a high priority, and now is the time to sow the seeds of future sustainability.

Alan Schofield owns and runs Growing With Nature in Pilling, Lancashire, the UK's longest-running home-delivery vegetable box scheme. He is Chair of the Organic Growers' Alliance and a member of the Soil Association's Farmer and Grower Board.

'We need to engage much more with the public to explain why, in a time of looming climate change, food matters more than ever'



Organic food and farming worldwide

Research by Organic Monitor⁴¹ shows that global sales of organic food and drink increased to £23 billion in 2007. Global revenues are increasing by over £2.5 billion a year, with many markets reporting supply shortages. According to the latest figures on organic agriculture worldwide (2007), collected by the Swiss Research Institute of Organic Agriculture (FiBL) and the International Federation of Organic Agriculture Movements (IFOAM),⁴² organic farming is practised in at least 141 countries on over 1.2 million farms – see Table 19. Most of these are small holdings in Africa, which has 44% of the world's organic farmers but only 3% of its organic land area.

In 2007 32.2 million ha of farmland were managed organically. Organic farmland has a 0.65% share of global agricultural land.

About another 30.7 million ha are organic wild collection areas, and there are 0.4 million hectares of aquaculture, giving a total organic area of 63 million ha.

The countries with most organic farmland are Australia (12 million ha), Argentina (2.8 million ha) and Brazil (1.8 million ha) – see Figure 15. The countries with the highest shares of organic land are in Europe: Liechtenstein (29.7%),⁴³ Austria (13.4%) and Switzerland (11%).

Oceania, with 12.1 million ha, is the geographical region with the biggest share of organic farmland (37%). It is followed by Europe (7.8 million ha), Latin America (6.4 million ha) and Asia (2.9 million ha) – see Figure 16.

About 20 million ha of certified organic farmland are accounted for by permanent pasture or grasslands. Arable land comprises 4.8 million ha, and permanent crops cover 1.9 million ha.

Table 19
Organic agricultural land and producers by region, 2007 (including in-conversion area)⁴⁴

Geographical region	Organically managed agricultural land (ha)	Share of total agricultural land	Producers
Africa	870,329	0.1%	529,986
Asia	2,881,745	0.2%	234,147
Europe	7,758,526	1.9%	213,297
Latin America	6,402,875	1%	222,599
North America	2,197,077	0.6%	12,275
Oceania	12,110,758	2.6%	7,222
Total	32,221,311	0.8%	1,219,526

Source: FiBL and IFOAM⁴⁵

Europe

In Europe 7.8 million ha of farmland are under organic management. An overview of organic food and farming worldwide published early in 2009⁴⁶ puts the value of the

41 Organic Monitor (2009) *The Global Market for Organic Food and Drink: Future Outlook and Forecasts*. Organic Monitor is a specialist research company that focuses on the global organic and related product industries: organic foods and ingredients, soya and functional foods, natural cosmetics, fair-trade products, ethical textiles, etc. More details are available at www.organicmonitor.com

42 Willer H and Kilcher L (eds) (2009) *The World of Organic Agriculture: Statistics and Emerging Trends 2009*. IFOAM (Bonn)/FiBL (Frick)/ITC (Geneva). Data collection on organic agriculture worldwide is carried out by the Swiss Research Institute of Organic Agriculture (FiBL) and the International Federation of Organic Agriculture Movements (IFOAM), in cooperation with the German Foundation for Ecology and Agriculture. The data collection is supported by the International Trade Centre (ITC), the Swiss State Secretariat for Economic Affairs (SECO) and NürnbergMesse, organisers of the BioFach organic trade fair. Copies of the report can be ordered from Research Institute of Organic Agriculture (FiBL), Ackerstrasse, 5070 Frick, Switzerland (tel/ fax 00 41 62 865 7272, email helga.willer@fibl.org, www.organic-world.net, www.fibl.org).

43 Liechtenstein owes its high proportion of organic land to a combination of strong advisory and marketing support to producers in the early 1990s, followed by the introduction of significant area-based conversion payments.

44 Willer H and Kilcher L (eds) (2009) *The World of Organic Agriculture: Statistics and Emerging Trends 2009*. IFOAM (Bonn)/FiBL (Frick)/ITC (Geneva).

45 Shares are based on the total agricultural land of the countries included in the survey.

46 Willer H and Kilcher L (eds) (2009) *The World of Organic Agriculture: Statistics and Emerging Trends 2009*. IFOAM (Bonn)/FiBL (Frick)/ITC (Geneva).

European organic market in 2007 at approximately €16.2 billion. This is almost €2 billion more than reported for 2006. The largest markets by value are in Germany, the UK and France – see Figure 17. Denmark, Austria and Switzerland are the countries where organic products have the highest market shares and attract the highest per capita spending – see Figure 18.

There was considerable growth in several of the major European organic markets between 2006 and 2007 – notably the Czech Republic (up 70%), Denmark (34%), Sweden (26%), Norway (24%) and Germany (15%).

The average growth rate across all countries was over 10%. The average spend per head was €27. The numbers of European consumers who are committed to ethical shopping and prefer products with a regional identity appear to be increasing.

The Americas

After Europe, North America has the largest market for organic foods. The US market is valued at over £9 billion. High consumer demand in the United States and Canada has led to product shortages, with imports supplementing domestic production. Many new entrants have come into the US market recently, including companies offering organic versions of popular products such as pizza, hot dogs and peanut butter.

Latin America is a major producer and exporter of organic products. Over 90% of all organic foods produced in countries such as Brazil, Argentina, and Chile are exported. Domestic markets mainly exist in the major cities.

Asia

The Asian continent reported a large increase in organic food production in 2007. Its 2.9 million ha of organic land represent 9% of the global total. The leading Asian country in terms of organic land area is China (1.6 million ha), followed by India (1 million ha). China has become an internationally valuable source of organic ingredients such as soya beans, seeds and grains. Other important countries in the production of organic food are Thailand, Sri Lanka and Indonesia.

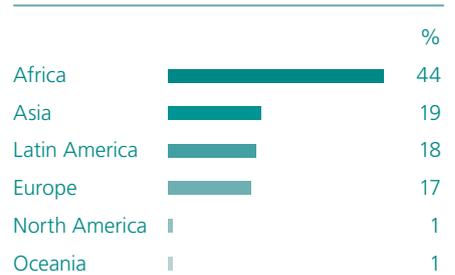
The largest Asian markets for organic foods are in Japan, South Korea and Taiwan. These countries are highly import dependent, with organic foods coming in from various parts of the world.

Oceania

Although 37% of organic farmland is in Oceania, the market for organic foods is very small. Organic food sales in Australia and New Zealand represent less than 1% of the global total. The large disparity between production and demand is because large amounts of organic farmland in Australia and New Zealand are used to grow organic crops for the export market.

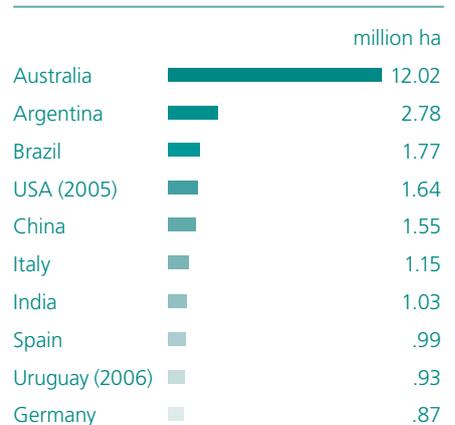
Australasia is a large exporter of organic fruit, vegetables, beef, lamb, grains and seeds to Asian, European and American countries. However, the domestic market is growing with increased retailer interest in organic products.

Figure 14
Organic producers by geographical region. 2007



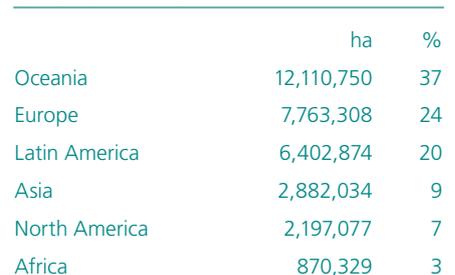
Source FIBL and IFOAM

Figure 15
The ten countries with the most organic agricultural land. 2007



Source FIBL and IFOAM

Figure 16
Organically managed agricultural land by geographical region. 2007



Source FIBL and IFOAM

Africa

With almost 0.9 million ha, Africa is the continent with the smallest area of organic farmland. Uganda, Tunisia and Ethiopia are the most significant producers. Production is almost entirely export-oriented. Important crops include citrus, tropical and exotic fruit; herbs and spices; tea and coffee; cocoa; sugar; cotton; and vegetable oils.

Prospects for future development in Europe

Padel et al⁴⁹ assert that it is very difficult to predict trends for future development. Several factors are likely to be important, but may act in opposite directions. Some consumers in the more developed markets may change where they shop in response to the financial crisis, resulting in a growing market share for multiple retailers and discounters. Others may reduce their organic spending or change what products they buy. These changes are likely to affect different product categories and different countries in different ways.

Several countries, for example Germany and Norway, have reported particularly strong growth in the multiple retail sector, which accounts for between 45% of the market in The Netherlands and 85% in Finland. In many of the more developed markets, the demand for certain product categories – notably vegetables, salad crops, fruits and in some cases dairy products – is higher than supply, resulting in considerable amounts of products being imported. The conversion period of two years limits how rapidly domestic producers can respond to a sudden growth in demand.

Production in southern and eastern Europe is geared towards export, and any growth in demand in the developed markets provides new opportunities. The challenge ahead lies in allowing trade to level out national imbalances between supply and demand, while maintaining the authenticity and credibility of organic supply chains.

For more information on some of the leading countries in the European organic market, see Appendix 2.

47 Compiled by Aberystwyth University, FiBL and ZMP; see Padel S, Schaack D, and Willer H (2009) 'Development of the organic market in Europe'. In Willer H and Kilcher L (2009) *The World of Organic Agriculture: Statistics and Emerging Trends 2009* IFOAM (Bonn)/FiBL (Frick)/ITC (Geneva)

48 ibid.

49 ibid.

Figure 17
European countries with the highest sales of organic food, 2007⁴⁷



Source: Aberystwyth University, FiBL, ZMP

Figure 18
European countries where organic food represents the highest proportion of total food sales 2007⁴⁸



Source: Aberystwyth University, FiBL, ZMP

Policy and standards developments

New EU organic regulations

In 2008 the European Commission introduced two sets of detailed rules to help implement the revised EU organic regulation approved in 2007.

Commission Regulation 889/2008 – adopted in September – covers conversion, crop and livestock production, processing, packaging, storage, transport and labelling. It lists permitted fertilisers and soil conditioners, crop protection products, additives, processing aids and non-organic ingredients. Its labelling section includes guidelines for the EU organic label, whose use will be compulsory from 2010 on packaged organic products originating within the EU.

Commission Regulation 1235/2008, adopted in December, covers imports of organic products from countries outside the EU and prescribes a simplification of import authorisation procedures.

Pesticides

In August, following pressure from the Soil Association and the Organic Growers' Association, the Pesticides Safety Directorate (PSD) suspended the sale and use of herbicides containing aminopyralid. This ban was imposed after a number of growers were affected by residues of the broad leaf herbicide Forefront, in which aminopyralid is an active ingredient. Forefront contaminated manures, causing decreased growth or death of plants grown where manures had been applied.

In October the Soil Association wrote to the Environment Secretary to call for a ban on neonicotinoids – insecticides linked to a dramatic decline in honey bee numbers. The products implicated in bee deaths – clothianidin, imidacloprid, fipronil and thiamethoxam – are approved to kill insects on a wide range of crops in the UK, including oilseed rape, barley and sugar beet. The Soil Association wants the UK to follow the lead of France, Germany, Italy and Slovenia in suspending their use.

The EU is preparing two pieces of legislation to tighten its pesticide rules. One is a directive covering sustainable use of pesticides, which would ban aerial crop spraying and restrict the application of chemicals on sports grounds and in public parks and gardens. A further regulation on the production and licensing of pesticides would ban farmers from using a number of highly toxic and endocrine-disrupting substances and require the replacement of others with safer alternatives. The Soil Association supports the proposed legislation and has urged the UK government to drop its opposition to the measures.

The Soil Association has been a long-term supporter of Georgina Downs, who in November won a landmark victory against the UK government in her seven-year battle over the use of pesticides near rural homes. A High Court judge ruled that the government had failed to comply with a European directive designed to protect rural communities, and called upon the Environment Secretary to rethink Defra's approach. The government is now asking the Appeal Court to overturn the ruling.

GM food

The issue of GM crops continued to attract close media attention in 2008. The period of most heated debate was in August, when the Prince of Wales spoke out on the environmental impact of GM crops and questioned industry claims that GM technology was needed to tackle hunger in developing countries.

The Prince's comments followed the publication in April of an authoritative report by the International Assessment of Agricultural Science and Technology for Development (IAASTD)¹. Modelling its approach on that of the Intergovernmental Panel on Climate Change, engaging 400 scientists around the world to draft and peer-review its work, the IAASTD concluded that GM crop yields were "highly variable" and that the application of GM outside the lab was "contentious". It recommended that developing countries fight famine by turning to 'agro-ecological systems', of which organic farming

is a proven example.

A piece of research published in 2008 casts serious doubt on GM food from a health perspective. A study funded by the Austrian government² found that GM maize severely impairs reproduction in mice, and said that there is an “urgent need for further studies”. The scientists performed several long-term feeding trials in which laboratory mice were fed either a diet containing 33 per cent GM maize or a non-GM feed mix. The team found changes that were statistically significant in the third and fourth litters produced by the mice given a GM diet. There were fewer offspring, and the young mice were smaller.

A Soil Association briefing published in October³ suggested that the public and farmers in the United States were turning against GM food. It highlighted the launch of a major new non-GM labelling initiative; the rejection by farmers of new GM crops such as alfalfa, sweet corn, rice and wheat; and the collapse in the market for Monsanto’s GM milk hormone.

The GM industry is hoping to turn the tide of opinion with ‘second generation’ GM crops, claimed to have consumer benefits (added vitamins), or environmental benefits (nitrogen-fixing or drought-resistant crops). But many scientists believe that GM technology will not be able to transfer complex, multi-gene traits to new crops, and that such transfers will not be stable. Organic farming already delivers better drought resistance, nitrogen-fixing rotations based on legumes, and food with higher levels of readily available beneficial vitamins and other nutrients – all grown with less dependence on increasingly scarce oil and other fossil fuels, and fewer greenhouse gas emissions.

Food security and climate change

The issue of UK and global food security was catapulted into the spotlight in 2008 by high food and fuel prices and rising concerns over the impact of climate change and dwindling fossil fuel reserves on future food production.

The Soil Association devoted its annual conference in November to the issue, publishing a new report called *An Inconvenient Truth About Food*. Based on research by City University, the report argues that the current UK food and farming system is “not fit for purpose to meet the challenges of climate change, costlier oil, or for providing a foundation for people’s health”.

The Soil Association proposes the development of a UK food plan including

- Strategies to enhance soil fertility and sequester more carbon in the soil
- A shift from dependence on fossil fuels, chemical fertilisers and agricultural monocultures to farm-based sources of renewable energy, nitrogen-fixing legume crops and mixed rotational farming
- A shift from centralised manufacturing and distribution to local food economies
- Linking food and farming strategy closely to the public health agenda, in order to improve diet and tackle obesity
- Tougher standards for school meals and a transformation of the national curriculum to ensure that schools teach children how to grow and cook food.

In December the Government’s Committee on Climate Change published a report saying that not enough was being done to reduce greenhouse gas emissions from agriculture.⁴ A week later Hilary Benn, the Environment Secretary, appeared to echo the concerns of the Soil Association about both food security and climate change in a speech to the Fabian Society.⁵ He argued that to feed a growing population, the world needs to reduce dependence on fossil fuels in food production and forge a global agreement on food security akin to the Kyoto Protocol on climate change.

School meals

- 1 International Assessment of Agricultural Science and Technology for Development (2008) *Synthesis Report* Washington: IIASTD – for executive summary see http://www.agassessment.org/docs/IAASTD_EXEC_SUMMARY_JAN_2008.pdf
- 2 Binter C and Velimirov A (2008) *Biological Effects of Transgenic Maize NK603xMON810 Fed in Long-term Reproduction Studies in Mice* Vienna: Federal Ministry of Health, Family and Youth – see http://www.bmgfj.gv.at/cms/site/attachments/3/2/9/CH0810/CMS1226492832306/forschungsbericht_3_-2008_letztfassung.pdf
- 3 Hewlett K and Melchett M (2008) *Land of the GM-Free?* Bristol: Soil Association.
- 4 Committee on Climate Change (2008) *Building a Low-Carbon Economy – the UK’s Contribution to Tackling Climate Change* London: The Stationery Office.
- 5 Benn H (2008) ‘Bread and roses – the politics of food’. Speech to the Fabian Society, 10 December – see <http://www.defra.gov.uk/corporate/ministers/speeches/hilary-benn/hb081210.htm>

The Soil Association-led Food for Life Partnership continued to advance the cause of healthier school meals and better food education during 2008. In September it wrote an open letter to the Education Secretary, Ed Balls, to advocate six steps to transform school food culture.⁶

The Food for Life Partnership wants to see a substantial increase in spending on school meal ingredients, more investment in school cooks to prepare meals from fresh ingredients, and the establishment of more than 4,000 new school kitchens by 2011. It advocates at least 12 hours of cooking lessons per year up to Key Stage 3 and wants every child to be given direct experience of food production, through farm visits and growing produce in school gardens.

In December the Prince of Wales presented six English primary schools with Food for Life Silver Awards – part of a new programme of bronze, silver and gold accolades to recognise the achievements of schools that are improving their meals and enhancing food education.

To complement this, Soil Association Certification Ltd has developed a new Food for Life Catering Mark that is open to any public or private sector caterer.⁷ There are three tiers of certification – bronze, silver and gold – to allow caterers to make step-by-step progress towards more sustainable sourcing. The criteria for Gold accreditation include a requirement that at least 50% of ingredients should be locally sourced and at least 30% either organic or certified by the Marine Stewardship Council.

The Soil Association is also concerned about food provision in nursery schools. In 2008 it teamed up with Organix to conduct the first detailed investigation into the quality of nursery food in England and Wales. Their report *Georgie Porgie Pudding and Pie – Exposing the Truth About Nursery Food* criticised the lack of clear nutritional standards, particularly in the nine out of ten nurseries that are not state-maintained. It also highlighted regulatory inconsistencies that mean children under three in nurseries can be given food containing additives and flavourings that are banned from use in manufactured products for this age group. The report found some nurseries spending as little as 25p per child on ingredients for meals.

London 2012

The Mayor of London, Boris Johnson, announced in November that parts of roof gardens, disused railway yards, housing estates and school gardens will be converted into vegetable plots ahead of the 2012 Olympic Games.⁸ The Mayor aims to create 2,012 new growing spaces in time for the Games, in the hope that some of the food will be provided to athletes.

The Mayor's initiative will be taken forward by the Sustain alliance of food and farming campaign groups, of which the Soil Association is a leading member. Sustain and the Soil Association teamed up with the New Economics Foundation at the end of 2007 to publish a report⁹ promoting the unique opportunity presented by the London Olympics to highlight the relationship between physical fitness and healthy food, transform the food available at all major events, and showcase the benefits of local, seasonal and organic food on the world stage.

Soil Association symbol

Use of the Soil Association symbol will be mandatory from July 2010, following an extensive consultation with licensees in 2008. This is a move designed not only to raise the profile of the symbol and make its use more consistent, but also to counter potential consumer confusion when the use of the EU organic logo also becomes mandatory in July 2010.

Animal welfare

The Soil Association began to investigate the use of outcome-based welfare standards in 2008. Adopting this approach would mean placing stronger emphasis on assessing the health and well-being of farm animals as an indication of good welfare, in addition to inspecting other necessary aspects while also reducing bureaucracy.

Deforestation

Soil Association standards already prohibit the clearing of primary habitat for organic production, and these standards were tightened in 2008 to prohibit the use of land recently cleared of primary habitat. The change has been made to ensure that organic farming does not contribute to deforestation in any way.

Ethical Trade

In 2008 the Soil Association Ethical Trade initiative completed its first year as a fully fledged voluntary certification scheme, following the end of its pilot phase in 2007. Significant progress has been made in improving the certification process, and incorporation of new products into the scheme is anticipated in 2009.

Air freight

Last year the Soil Association also concluded a long consultation, attracting 400 responses, on whether and how to address the social and environmental impact of air freight in its organic standards. The consultation involved meetings with over 100 organisations, plus visits to farmers and organic organisations in East Africa.

In response particularly to the views of organic farmers in Africa, the Standards Board decided not to ban air freight but to work closely with partners in East Africa to develop a number of initiatives to tackle climate change and development issues, including

- Developing a regional variant on Soil Association Ethical Trade standards especially for the East African context, owned and administered by East African organic organisations
- Supporting capacity building in training, certification and inspection to help reduce the barriers that face smallholder farmers trying to access the European organic market
- Joint campaigning and policy work on improved food security associated with organic agriculture, and a joint campaign on GM crops
- Identifying the positive contribution organic farmers make to tackling climate change, and what actions they can take to reduce their carbon emissions further.

European organic and natural health and beauty standards

These long-awaited harmonised standards (COSMOS-standard) were published for public consultation in November. They result from collaboration between the Soil Association and five other European organisations: Bioforum, Cosmebio, Ecocert, BDIH and ICEA. The aim is to cut through confusion among formulators and consumers alike.

6 Food for Life Partnership (2008) *Six Steps to Transform School Food Culture* Bristol: FFL Partnership

7 See www.soilassociation.org/cateringmark

8 Hamilton F (2008) 'Roof allotments a capital way to feed Olympians, says mayor' *The Times*, 3 November

9 nef/Soil Association/Sustain (2008) *Feeding the Olympics*

Organic food sales in Europe

The following round-up of the organic market in leading European countries was compiled for the 2009 edition of *The World of Organic Agriculture*.⁵⁰

Austria

Organic food sales grew in Austria between 2006 and 2007 against a background of stagnation in the food market. A slight decline was reported in the demand for vegetables but fruit sales have increased. Sixty-four per cent of organic products are sold through multiple retailers, including discounters. One multiple retailer, Rewe, is trying to recruit new producers because its customers prefer regional products. Only 20% of organic fruit and vegetables consumed are produced in Austria, although 80% of apples and 60% of onions are domestically produced.⁵¹

Belgium

Strongest growth has occurred in the multiple retailers, which now account for 59% of organic sales. Specialist organic food shops account for 28%. Organic shares of the total retail market vary considerably, from 7% for eggs and 3.2% for vegetables to 0.7% for meat. The organic land area in Belgium is growing, although the area assigned to vegetable production has declined. Like consumers in many European countries, Belgians prefer regional products, but a considerable proportion of organic sales are imported – mainly from The Netherlands, France and Germany.⁵²

Czech Republic

The Czech Republic has a high share of sales through multiple retailers, including supermarkets and discounters. These account for approximately 65% of the organic market, followed by specialised organic food shops (22%). Dry products (such as breakfast cereals, dried fruit and pasta) account for 45% of organic sales. Milk and dairy products represent 21%. The Czech market remains strongly import dependent, with imports accounting for approximately 62% of sales.⁵³

Denmark

Fresh produce dominates the retail market and multiple retailers are the most important outlet for organic products, accounting for 80% of sales. Dairy products and eggs are the most popular organic products, followed by bread, cereal products and vegetables. With much stronger growth reported, Denmark has now overtaken Switzerland in terms of consumption per head of the population.⁵⁴

Finland

The most important product categories are vegetables (27% of organic food sales), milk and dairy products (24.7%) and breads, cereals and flour (18.6%). Considerable growth has occurred in the meat sector, stimulated by a debate in the media about intensive livestock production. Sales through retail chains make up 85% of the organic market.⁵⁵

Germany

Germany remains the largest organic retail market in Europe. The year of 2007 began with a boom in demand for organic products that was particularly strong in the multiple retailers and in traditional bakers, butchers and organic food shops. The structure of the organic market has changed considerably. In 2007 multiple retailers (including discounters) accounted for the first time for more than 50% of sales. In the multiple retail sector, the strongest growth has occurred in sales of cheese (up 28%) and of dry and processed products such as cereals, flour, grocery, juices, oils and deep-fried food (27%). Sales of fresh produce, an area of strong growth in the past, have slowed down. Germany's certified organic land area grew by 6% in 2007, with the area under

vegetables growing by 20%. The most important products in terms of household buying are dairy products, followed by vegetables, fruit, bread and meat.⁵⁶

Italy

The market grew by 10% between 2006 and 2007, despite difficult economic circumstances. Growth varied considerably between product categories and was strongest for baby food (up 36%) and fruit and vegetables (up 25%). Sales of organic bread decreased. In 2007 the largest share of organic sales was enjoyed by dairy products (20%), followed by fruit and vegetables (17%). Growth of the organic market as a whole slowed in the first quarter of 2008, but sales of organic bread and pasta picked up.⁵⁷ A stronger increase in growth was noted in the south, but more than 70% of organic products are sold in northern Italy.⁵⁸ In the northern regions of Emilia-Romagna, Lombardia and Tuscany direct sales from farms have increased by 37%, farms offering holidays by 25% and local organic purchasing groups by 60% since 2005.⁵⁹

The Netherlands

While the value of retail sales grew between 2006 and 2007, the certified land area declined.

The most important sales channels in The Netherlands are multiple retailers and speciality shops, accounting for over 40% of total sales each. The most important product categories are fruit and vegetables (26%), and dairy products and eggs (19.2%). Sales of organic meat and organic poultry are up 18% and 30% respectively. Increases have also been noted in sales of organic eggs, although 75% of the country's production is exported to Germany. Multiple retailers increased their share of the market to 44.5% in 2007. Speciality outlets account for 41.6% of sales.⁶⁰

Norway

A strong re-orientation of the market towards multiple retailers has taken place, and these outlets now account for more than 80% of the market. Organic sales account for approximately 1% of the total food market, although higher shares have been achieved for baby food (13%), eggs (3.4%) and dairy products (2.1%). The Norwegian market is characterised by imports of fruit and vegetables that are difficult to grow in the Nordic climate, although 91% of milk and all eggs and meat are domestically produced.⁶¹

Sweden

Strong growth of between 25 and 30% was achieved in 2007. Half of all organic sales as derived from imports. Growth of Swedish-produced organic food sales was reported at 15%. Sales through multiple retail outlets account for just over 70% of sales and are dominated by three main chains: Coop, ICA and Axford. The biggest product categories are dairy (52%), meat (14%), eggs (14%), and fruit and vegetables (10%). Domestic production does not keep pace with demand, and some organic milk has been imported from Denmark.⁶² Initial estimates suggest that strong growth has continued in 2008, leading to a likely market value of over six billion Swedish crowns.

Switzerland

After stagnating development for several years, demand for organic products has grown again since 2006. There has been growth in all major product categories, particularly in sales of meat and vegetables, in the western regions of Switzerland, and through direct marketing. Growth of more than 10% in sales of organic eggs resulted in supply shortages. Organic food sales account for 4.6% of the total food market, and more than 15% in the case of eggs and bread.⁶³ The majority of organic sales are through just two multiple retailers: Coop (51%) and Migros (24%). Direct marketing accounts

50 Padel S, Schaack D and Willer H (2009) 'Development of the organic market in Europe'. In Willer H and Kilcher L (2009) *The World of Organic Agriculture 2009: Statistics and Emerging Trends* IFOAM (Bonn)/ iBL (Frick)/ TC (Geneva).

51 AMA (2008) ZMP *Ökomarkt Forum* 1-2008.

52 BioForum, 2008.

53 AMA (2008) ZMP *Ökomarkt Forum* 31-2008.

54 Danmarks Statistik, 2008, and Oesch/Schaer, 2008.

55 Finfood Luomu/AC Nielsen Kuluttajaneeli 2007.

56 ZMP analysis on base of GfK household panel and AC Nielsen trade panel, 2008.

57 ISMEA, 2008.

58 *ibid.*

59 Biobank.

60 Biologica, 2008.

61 Statens Landbruksforvaltning, 2008.

62 Ekologiska Lantbrukarna 2008.

63 BioSuisse (2008) ZMP *Ökomarkt Forum* 07-2008.

for 5% of the organic market. The Swiss organic farmers' organisation Bio Suisse introduced a new label in early 2008, combining the bud (Knospe) with the Swiss flag. It can be used on products that contain at least 90% Swiss ingredients.

Turkey

Ninety per cent of organic production in Turkey is for export, in particular dry fruit for the German, American and UK markets. The domestic market is slowly developing, although it remains challenging to ensure transparency and traceability of organic product certification in traditional outlets such as bazaars.⁶⁴

The World of Organic Agriculture 2009

The World of Organic Agriculture 2009 is a yearbook published by IFOAM and FiBL in conjunction with the International Trade Centre (ITC). In addition to the results of the survey into organic agriculture worldwide – from which the material reproduced in this report is taken – it includes chapters on production region by region (with a special focus on Latin America), the global market, standards and legislation, crops and food security.

The book can be ordered from the FiBL shop at <https://www.fibl-shop.org/english/shop/article/1515-organic-world-2009.html>

The global organic survey 2009 and production of *The World of Organic Agriculture 2009* were supported by the International Trade Centre, the Swiss State Secretariat of Economic Affairs (SECO) and Nürnberg Messe, organiser of the BioFach Organic Trade Fair. Further information is available at www.organic-world.net

In 2007 businesses from across the UK organic industry teamed up to form the Organic Trade Board (OTB). Supported by the Soil Association, the OTB aims to support, promote and develop the UK organic market and to double UK sales of organic products by 2013.

Members of the OTB contributed to the preparation of the processed organic foods section of *The Organic Market Report 2009*. In 2009 they would like to see:

64 Osch and Schaer, 2008.

From certifiers

- Strong support for all sectors of the trade, with a wide sharing of inspirational success stories
- Cooperation to protect the integrity of the organic system from fraud and bad practice
- Research into and publicity about the benefits that organic food and farming can bring to human health, animal welfare and the environment
- A reduction in paperwork and unnecessary costs to help reduce the financial pressures faced by organic companies.

From retailers and other distributors of organic products

- Recognition of the strength of the organic message and participation in its dissemination
- Recognition and reward for the loyalty of organic shoppers
- Greater commitment to long-term contracts to secure cost savings for all involved
- A commitment to work with the trade to double the organic market over the next five years.

From the trade itself

- Cooperation between organic companies – sharing leads, ideas, links and promotional materials with wholesalers, consumers and each other
- A business plan for growth
- The development of information that can be shared about the consumer benefits of organic food and farming, with simple suggestions for packaging, advertising and other marketing communications
- A review of costs, in order to be ready for fast growth when the economy turns upwards again
- Support for each other and for local businesses.

1 The organic consumer

Data on organic consumer spending supplied by TNS Worldpanel. Data on consumer attitudes derived from Soil Association analysis of Market Tools/ZOmnibus poll findings, January 2009.

2 Retail sales and imports

- Total multiple retail sales calculated using organic turnover data supplied by five retailers – Asda, Co-operative, Sainsbury's, Tesco and Waitrose. Together these five retailers account for nearly 80% of multiple retail sales, and TNS data on their exact market shares were used to extrapolate a figure for total multiple retail sales.
- For baseline 2007 independent retail figures, questionnaires were sent to all producers and processors licensed with Soil Association Certification Ltd, Organic Farmers and Growers, SOPA, Demeter and additional producers and processors listed in *The Organic Directory*. For each outlet type the sample was split into producer owned outlets and non-producer owned outlets. Data were grouped according to annual turnover (small, medium and large). The percentage of respondents that fell into each group and their average sales were calculated. The percentages of the sample that were small, medium and large were applied to the total population. The sample was then multiplied up to represent the total population using average sales value for each group (small, medium, large) and each outlet type.
- Farmers' market sales for 2008 calculated by taking FARMA estimate of total farmers' market turnover and applying a 9.5 percentage to reflect balance of organic producer numbers in sample survey of markets conducted by FARMA in February 2009.
- To calculate sales through box schemes in 2008, the Soil Association conducted a telephone survey of a sample of 30 small, medium and large organic box scheme distributors. The average annual percentage changes in turnover calculated for each of these three size categories were applied to annual turnover figures from the 2007 survey in an appropriate combination to reflect the balance between small, medium and large operators among the total population of box schemes. Once a percentage growth figure for box schemes in 2008 had been calculated, the same percentage growth was applied to figures from 2007 for non-box scheme home deliveries and mail order to calculate a total 2008 home delivery estimate.
- To estimate the turnover of farm shops and other independent retailers, the data for sales through box schemes and farmers' markets in 2008 were aggregated to establish an average annual change in sales value through independent retail. This percentage was then applied to the remaining 2007 survey data for independent retailers.

3 Processed organic food

Data on numbers of organic processors and importers collected by Defra from organic certification bodies. Soil Association estimates of multiple retail value of various processed food categories calculated by taking TNS Worldpanel data on the proportion of sales value attributable to categories and applying these percentages to the Soil Association figure for total organic sales through the multiple retailers (£1,545 million – see 'retail sales and imports' section above for details of how this was calculated).

4 Non-food products

Estimate of UK market for organic textiles made by Greenfibres in the light of available data. Health and beauty sales calculated by taking anonymised organic turnover data from Soil Association Certification Limited (SACL) licensee certification returns and applying a formula to multiply up to full retail value. This formula took account of SACL market share and information from selected licensees and retailers on the proportional division between wholesale, direct sales and export revenue. Export value subtracted because not part of UK organic market value.

5 Organic farming in the UK

Organic land area, numbers of producers and regional distribution data collected by Defra from the organic certification bodies. Non-cropping land has been removed from this data. Organic arable, horticulture, egg and meat prices taken from 'Eye on the market' in *Organic Farming* magazine, autumn 2006 to autumn 2008. Organic farm income data sourced from farms on behalf of Defra by the Organic Research Group at Aberystwyth.

6 Organic food and farming worldwide

Data supplied by Organic Monitor, the Institute of Rural Studies at the University of Wales and the Research Institute of Organic Agriculture (FiBL).

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Appendix 5

Written by Martin Cottingham and Amy Leech

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Organic Monitor

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Organic food and farming worldwide

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Soil Association

The Soil Association is the UK's leading environmental charity campaigning for a global shift to sustainable, organic food and farming practices.

Founded in 1946 by a far-sighted group of farmers, doctors and concerned citizens, the organisation is dedicated to bringing about change by creating a growing body of public opinion that understands the direct link between farming practice and plant, animal, human and environmental health.

Today the Soil Association is an internationally respected authority on sustainable agriculture and recognised champion of healthy food, which uniquely represents and offers practical solutions to everyone involved in the food chain – farmers, food processors, retailers and consumers.

The Soil Association is reliant on the support of its members, donors and the public to carry out its work. You can help grow the organic movement. By joining the Soil Association you will be part of a dynamic organisation pressing to change the predominant food culture in this country. Single UK membership costs just £24 a year.

To join, visit www.soilassociation.org or call 0117 914 2447.



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