

Organic market report 2010

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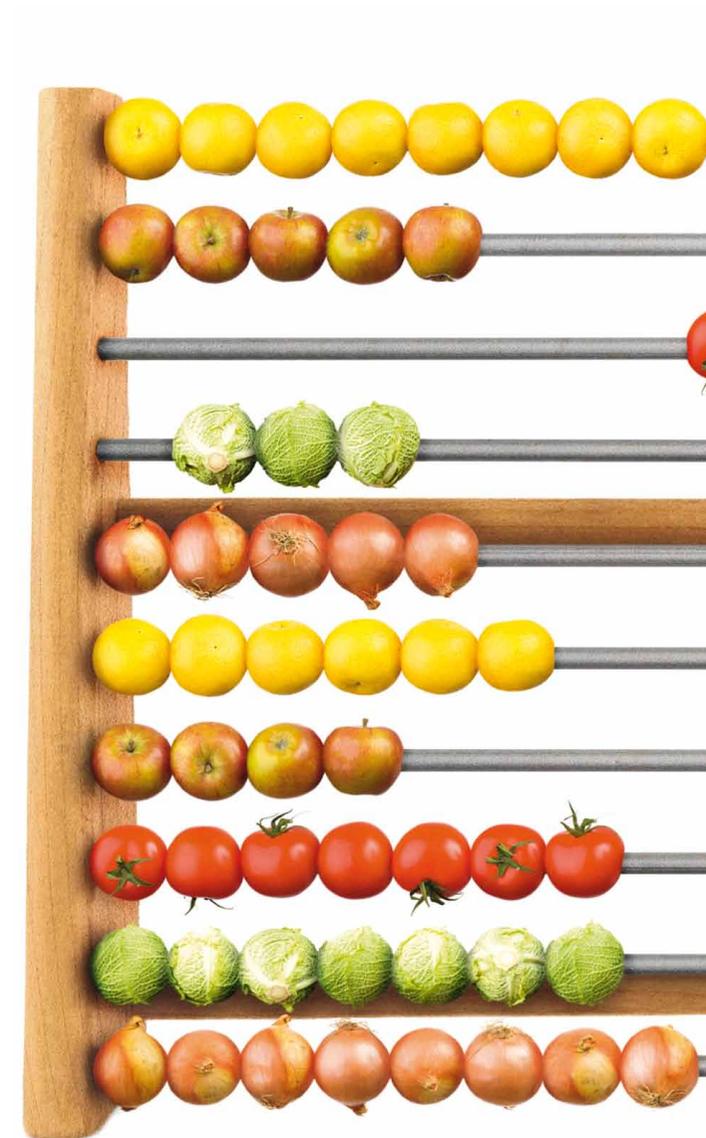
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Foreword

The critics of organic farming were not slow to make their voices heard when sales of organic products began to fall in 2009. Some asked whether this might be the beginning of the end for organic food, dismissing it as a luxury that a cash-strapped country could ill afford.

The current economic climate is certainly the toughest that the organic movement has faced for 20 years, in what some are calling the worst depression for a century. In common with much of the rest of the economy, trading conditions have been very difficult for many organic businesses.

However, despite the near 13% decline in organic sales, organic milk and baby food resisted the downward trend – their sales increased by 1% and 20.8% respectively. Sales of organic health and beauty products continued their rapid growth, increasing by a third to £36 million. The area of organic farmland increased by 9% on the previous year, up to 4.3% of agricultural land. While the rate of conversion to organic farming is slowing, the area of organic land will continue to increase for the foreseeable future.

This report points out that organic products continue to attract shoppers from across the social spectrum, with groups that include manual and casual workers, pensioners, students and people on benefits accounting for 33% of spend.

We have come through recessions before, and we shall do so again. As this report highlights, in early 2010 organic sales have started to pick up and seem likely to return to growth this year. The Soil Association

thinks that there are firm signs of a revival in the organic market, and that there will be a modest growth, of around 2-5%, during 2010. Many organic companies continue to show great creativity in maintaining a strong customer base. Sales of organic food are still more than three times what they were in 1999 and over 50% higher than five years ago.

The question we should really be asking is not 'can the public afford organic food?' but 'can our policy makers afford to carry on ignoring the potential of organic farming?'

December's climate change talks in Copenhagen put the carbon footprint of agriculture in the spotlight as never before. Global livestock production alone is responsible for 18% of global greenhouse gas emissions, equivalent to 90% of our recommended carbon 'allowance' for 2050 if runaway climate change is to be avoided.

The Climate Change Act has committed the UK to a 34% cut in emissions by 2030. To come anywhere near meeting this target we must make fundamental changes in the way we produce our food over the next 20 years.

Organic farming continues to offer the best practical model for reducing emissions because it stores significantly higher levels of carbon in the soil, is less dependent on oil-based fertilisers and pesticides and improves the resilience of crops and soils in the face of climatic extremes. A major report on soil carbon, published by the Soil Association

just before the Copenhagen summit, showed that converting crop growing areas of the UK to organic farming could take 3.2 million tonnes of carbon per year out of the atmosphere and store it in the soil – equivalent to 23% of UK farming's official global warming emissions. If the Government is serious about tackling climate change then it needs to get serious about supporting organic agriculture. Business as usual is simply not an option.

We need significantly to increase the proportion of organic food served in schools, hospitals and throughout the public sector. We need an agricultural equivalent of the car scrappage scheme that offers enhanced incentives through agri-environment funding for farmers who swap polluting old farming techniques for practices that maximise soil carbon storage. And we must increase research and development funding to support sustainable farming practices from 11% to 50% or more of the UK's agriculture research budget.

For its part the organic movement needs to strengthen its collective effort to communicate all the benefits of organic food and farming to the public. We need to rekindle the kind of consumer demand that it will ultimately be impossible for policy makers, and retailers, to ignore.

Peter Melchett
Policy Director

Executive summary

Key statistics

- ▶ In 2009 sales of organic products in the UK were worth £1.84 billion – a decrease of 12.9% on 2008. Sales slowed significantly after many years of double-digit percentage growth, as shoppers reduced their spending in the economic downturn and leading retailers reduced organic ranges and shelf space.
- ▶ Clear signs of revival in the organic market suggest that it will return to growth in 2010. Over 60% of the UK's biggest organic brands are planning for growth in 2010. The Soil Association predicts a market expansion of 2–5%.
- ▶ The proportion of households buying some organic food fell slightly in 2009, from 88.9% to 88.3%.
- ▶ Organic milk, baby food and home cooking ingredients were the food categories that resisted the downward trend in sales, with sales increasing by 1%, 20.8% and 1.4% respectively.
- ▶ Despite a drop in the market, sales of organic food were still more than three times higher than ten years previously and more than 50% higher than five years ago.
- ▶ Dairy products remain the most popular category, accounting for 33% of sales. Fresh fruit and vegetables account for 26%, home cooking ingredients and beverages for 6% each, and red meat for 5%.
- ▶ Sales of organic health and beauty products continued to grow dynamically, increasing by a third to £36 million.

- ▶ The area of organic land increased by 9% on the previous year, up to 4.3% of agricultural land.

The organic consumer

On average consumers bought organic products 16 times during the year, compared to 18 times in 2008. When they did so they typically spent 2.9% less on organic products per shopping trip.

This pattern of shopping less frequently and spending less on each occasion shows organic consumers being hit by the recession and tightening their belts – just like everyone else. For some this has meant choosing cheaper cuts of organic meat, or canned and frozen alternatives that help avoid waste. Sales of organic fresh fish fell by 46% in 2009, for example, while sales of organic frozen fish more than trebled.

Organic products continue to attract shoppers from across the social spectrum. Those in the C2, D and E social groups – which cover manual and casual workers, pensioners, students and people on benefits – accounted for 33% of spend in 2009. Consumers on higher incomes – those from the A, B and C1 socio-economic groups – were responsible for 67% of spending.

The UK organic market

The three biggest categories of organic food in terms of retail sales value – dairy, produce and fresh meat

- saw their sales fall by 5.5%, 14.8% and 22.7% respectively in 2009.

Significantly meat and produce are among the products where the supermarket price differences between organic and non-organic can be most pronounced. For cost-conscious consumers economising in a recession, the price differences for organic milk (where sales grew by 1%) and organic baby food (whose sales were up 20.8%) are relatively modest.

Among the three supermarkets with the biggest organic market shares – Sainsbury's, Tesco and Waitrose – it was Waitrose that proved the most resilient in the recession. Its organic sales fell by only 3.5% and it is predicting growth of 3–5% in 2010.

The multiple retailers accounted for 73.7% of the organic market, with 26.3% of sales coming through restaurants and independent retailers such as box schemes, health-food stores, farm shops and farmers' markets.

Organic farming in the UK

The area of land under organic management increased to 743,516 hectares in January 2009 – up 9% on a year previously. This represents 4.3% of agricultural land and is more than the combined area of Lancashire and Cheshire, or Somerset and Wiltshire.

The amount of land in conversion to organic status dropped by 5.6%, to 149,103 hectares. This shows that the rate of conversion is slowing but suggests

Executive summary

that the area of organic land will continue to increase for the foreseeable future.

It was a tough year for most organic producers, as the recession hit consumer demand, high feed prices squeezed livestock farmers and an unseasonably wet July affected harvests. The protein quality of the arable harvest was unusually low, and farmers also faced increased costs to dry their crops. The horticultural growing season was a distinct improvement on the previous two but it was not until late in the year that the prospects of growers improved somewhat, as demand began to pick up and some retailers started to expand their ranges after significant cutbacks.

Demand for organic beef and lamb fell by around 30% and 10% respectively. Organic chicken production was cut by 20% as retailers responded to falling demand by reducing shelf space and processors encouraged some suppliers to revert to free-range production.

Policy and marketing developments

Climate change was the dominant issue of 2009 for food and farming policy makers in the run-up to international talks in Copenhagen. The Government published its UK Low-Carbon Transition Plan, and the farming industry in England made a voluntary commitment to reduce its greenhouse gas emissions by 11% by 2020.

The Soil Association published a hard-hitting

report, *Soil Carbon and Organic Farming*, which revealed that converting all UK farmland to organic production would store an additional 3.2 million tonnes of carbon in the soil – the equivalent of taking a million cars off the road. At Copenhagen the Soil Association was one of eight organisations that joined together to form the Round Table on Organic Agriculture and Climate Change – a new international initiative to ensure that organic farming is recognised as the leading sustainable system of agriculture.

Another significant coalition that established itself in 2009 was Organic UK, a collaboration between leading organic businesses that is coordinated by Sustain and supported by the Soil Association and the Organic Trade Board. Organic UK has raised almost £1 million for a generic marketing campaign to promote organic products over three years, and is seeking match funding from the European Union to launch the campaign in late 2010.

Looking forward

The Soil Association predicts that the organic market will return to growth in 2010 and grow by 2–5%. In some sectors of the market an even higher growth rate is anticipated. Rates of decline have slowed significantly in all categories of organic products in the first two months of 2010, with a return to growth for products as diverse as cider, flour, tea, herbs and spices and cooking sauces.

Tesco reports that its sales of organic vegetables

are increasing again after more than a year of decline. Tesco and Waitrose, whose combined share of organic sales is more than 45%, predict growth of 1% and 3–5% respectively this year.

A survey of 28 leading organic businesses in the UK shows that 61% expect growth and only 7% anticipate a further decline in their sales in 2010. More than three-quarters of those predicting growth forecast an increase in their turnover of more than 5%.

In 2010 or 2011 Wales is on course to become the first part of the UK where more than 10% of the agricultural land area is farmed organically. By 2012 we should see the proportion of UK farmland that is organic go above 5% for the first time.

The organic consumer¹

FIGURE 1
PERCENTAGE OF ORGANIC SALES BY
SOCIAL GROUPING 2009²

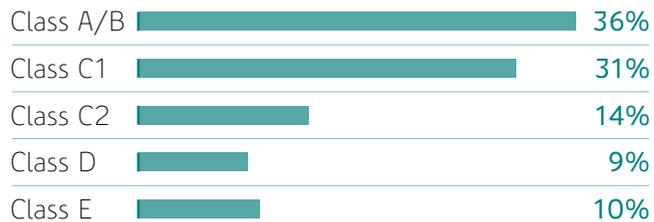
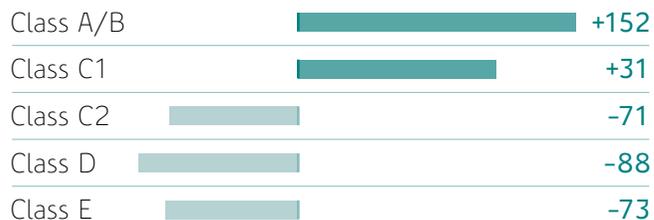


FIGURE 2
ORGANIC SALES INDEXED AGAINST TOTAL
GB SALES 2009³



Who buys, and how often?

The proportion of households buying some organic food fell slightly in 2009, from 88.9 to 88.3%. On average consumers bought organic products 16 times during the year, compared to 18 times in 2008. When they did so they typically spent 2.9% less on organic products per shopping trip.

This insight from Kantar Worldpanel shows that organic consumers may be responding to the recession by tightening their belts – just like everyone else. Organic shoppers have been economising by shopping less frequently and spending less when they shop.

For some this has meant choosing cheaper cuts of organic meat, or canned and frozen alternatives that help avoid waste. Kantar Worldpanel reports that sales of organic fresh fish fell by 46% in 2009, while sales of organic frozen fish more than trebled (from a smaller base).

For others it has meant no longer buying certain organic products for a time – particularly where there is a large price difference as in the case of fresh meat and fish. Free-range meat and eggs have proved attractive for some shoppers 'trading down' from organic products, satisfying ethical concerns up to a point even if they do not match what the Sustainable Development Commission has called the 'gold standard' of organic farming in environmental and animal-welfare terms.

Organic products continue to attract shoppers from across the social spectrum. Understandably

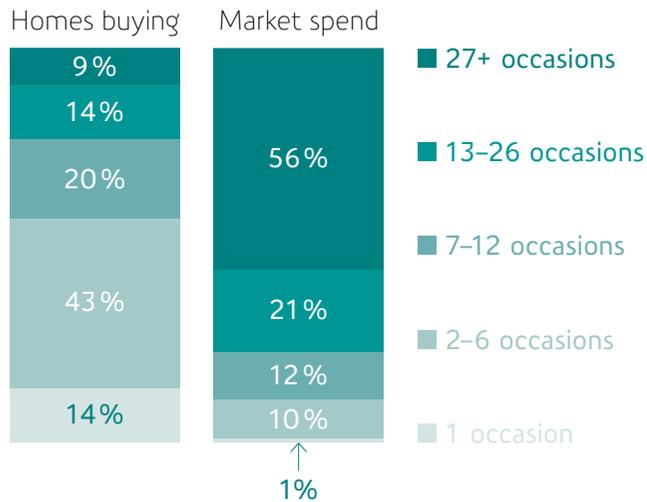
in an economic downturn, the better off account for a slightly higher proportion of sales than they did a year ago (Figures 1 and 2). In 2009 those in the C2, D and E social groups – which cover manual and casual workers, pensioners, students and people on benefits – accounted for 33% of spend, compared to 35% the previous year. Consumers on higher incomes – those from the A, B and C1 socio-economic groups – increased their share of spending from 65 to 67%.

Families with children living at home account for a smaller proportion of the organic market than they do of overall food and drink sales. This indicates simply that families with children tend to be on a tighter budget. The combined spending of young adults who have not had children yet, parents whose children have left home and single elderly people accounts for 74% of all organic sales.

Shoppers aged 35–64 tend to be the keenest organic buyers. They account for 60% of spending on organic products – a significantly higher proportion than this age group accounts for in the food and drink market as a whole. Under-35s and over-65s represent 16% and 24% of spending respectively – lower proportions than these age groups account for in overall food and drink spending.

The organic consumer

FIGURE 3
**DOMINANCE OF ORGANIC SPENDING
BY FREQUENT ORGANIC SHOPPERS⁴**



The committed core

The organic market relies heavily on a committed core of consumers who buy organic products frequently (Figure 3). Just 9% of households – those who buy more than once a fortnight – are responsible for 56% of sales. A further 14% who buy more than once a month, but no more than once a fortnight, account for 21% of sales. At the other end of the spectrum are the 14% of organic consumers that only buy something organic once a year – unsurprisingly they account for just 1% of total spending.

Three regions of England account for 54% of spending on organic products in England, Scotland and Wales. These are London (28%) and the South and Midlands (13% each). Where London and the South are concerned, this is a reflection both of the high proportion of the UK population that lives in these areas and higher levels of spending on organic products per person than in other regions. In the Midlands the high figure is more a reflection of population density than enthusiasm, as Midlanders' spending on organic products represents a lower proportion of the market than is credited to their region's spending on food and drink as a whole.

Apart from London and the South, the region showing the most enthusiasm for organic products by 'punching above its weight' in spending terms is the East of England. The least heavy purchasers – compared to general spending on food and drink in their regions – are consumers in Lancashire, Yorkshire and Scotland.

Motivations for purchase

Kantar Worldpanel is able to examine the attitudes of distinct groups of consumers by asking whether they agree with a wide range of 'value statements'. By isolating those statements which organic consumers are most likely to agree with and most likely to disagree with, it is possible to highlight key aspects of their attitudes, preferences and motivations.

A selection of 'agree' value statements for organic consumers are presented in Figure 4 (page 8). Each statement is accompanied by an indexed number to indicate how strongly it applies.⁵ In our illustration we have chosen a selection of statements for which organic consumers significantly 'overindex'.

This analysis reveals that organic consumers are discerning shoppers who are more likely to examine food labels and to look for good quality when they buy. They are much more interested than the average shopper in buying local food, seeking out environmentally friendly products, avoiding genetically modified ingredients and buying Fairtrade and free-range products. When statements with which organic consumers tend to disagree are examined, we see that they are less likely to buy ready meals and convenience foods and less likely to make healthy eating a low priority for themselves or their children.

Onepoll.com found that people's five main motivations for buying organic were a preference for natural/unprocessed foods (40%), the restricted

The organic consumer

FIGURE 4

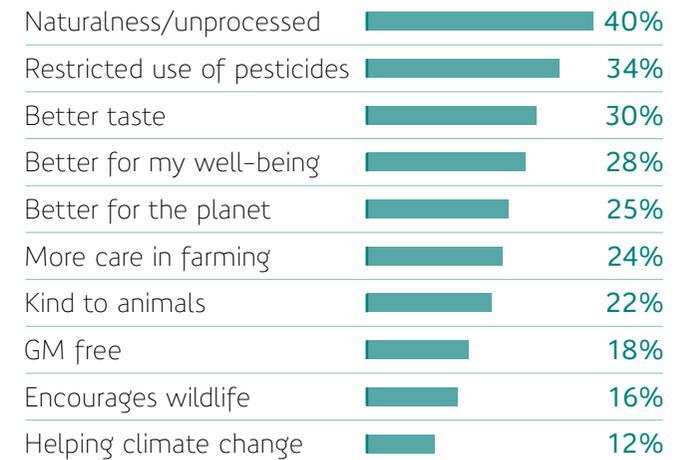
VALUE STATEMENTS BY ORGANIC SHOPPERS⁶

where they strongly 'overindex' compared to the average shopper



FIGURE 5

TOP TEN REASONS FOR BUYING ORGANIC PRODUCTS⁷



The organic consumer

use of pesticides (34%), better taste (30%), 'better for my well-being' (28%) and 'better for the planet' (25%) – see Figure 5 (page 8).

The Onepoll.com survey also provides a wide range of other insights:

► On the most popular products

The organic products purchased by the highest proportion of respondents were fruit and vegetables (53%); eggs (52%); meat, fish and poultry (49%) and dairy (43%). Nearly two-thirds of respondents (64%) said they bought organic food in supermarkets, and a third (33%) said they would buy more if there were more choice in the shops.

► On consumer confusion

The high figure for those claiming to buy organic eggs may indicate continuing consumer confusion over which eggs they are buying, as it does not tally with Kantar Worldpanel insight (which says organic eggs account for only 4.1% of all egg sales). This shows that it remains important to communicate exactly what 'organic' means to the consumer. In a number of areas of the survey respondents made confused responses, even though only 9.17% felt that they needed a clearer understanding of what organic means.

► On age and gender differences

Younger people are more likely than older people to see organic food as a once-in-a-while treat rather than a regular purchase. Women care more

than men about animal welfare, healthy eating and avoiding GM ingredients. Men are twice as likely as women to buy organic products on a friend's recommendation. Older people are more likely than those under 40 to associate organic food with being better for the planet.

► On prices and the recession

Women are more concerned about price when making a food purchase than men. Nearly 68% of women and 63% of men say they would buy more organic products if prices were lower. Yet over 55% of respondents said the credit crunch had not affected shopping habits.

► On taste

Taste is rated the second-most important consideration when making a food purchase after price. The products where people feel most that organic production makes a difference to flavour are fruit and vegetables (24% of respondents); meat, fish and poultry (18.4%) and eggs (7.9%). Younger people are more likely than older people to think that organic food tastes better.

The UK organic market

FIGURE 6

UK SALES OF ORGANIC PRODUCTS 1995–2009⁸

2009	£1,840 million
2008	£2,113 million
2007	£2,078 million
2006	£1,900 million
2005	£1,600 million
2004	£1,200 million
2003	£1,100 million
2002	£1,000 million
2001	£920 million
2000	£802 million
1999	£605 million
1998	£390 million
1997	£260 million
1996	£200 million
1995	£140 million

In 2009 sales of organic products in the UK were worth an estimated £1,840.2 million – a decrease of 12.9% on 2008. Sales slowed significantly after many years of uninterrupted growth (Figure 6), as shoppers reduced their spending in the economic downturn and leading retailers reduced organic ranges and shelf space.

The three biggest categories of organic food in terms of retail sales value – dairy, produce (fresh fruit, vegetables and salad) and fresh meat – saw their sales fall by 5.5%, 14.8% and 22.7% respectively (Figure 7, page 11).

Organic milk, organic baby food and home cooking ingredients were the food categories that resisted the trend, with sales increasing by 1%, 20.8% and 1.4% respectively. Sales of organic health and beauty products continued to grow dynamically, increasing by a third to £36 million.

Significantly meat and fresh produce are among the products where the supermarket price differences between organic and non-organic can be most pronounced. For cost-conscious consumers economising in a recession, the price differences for organic milk and organic baby food are relatively modest. The increased appetite for home cooking ingredients also points to increased cost consciousness, suggesting a growing interest in cooking from scratch to save on purchases of preprepared foods and processed products.

Organic baby food is the product that has the largest share of total organic and non-organic sales in its category (48.7%).⁹ Other organic products

with more than 6% of sales include chilled gravy and stock (17.6% organic), herbal tea (12%), vegetarian processed products (9.5%), dry pulses and cereals (9.4%), peanut butter (8.7%), yoghurt (6.7%) and vinegar (6.2%).¹⁰

Sales through the multiple retailers fell by 12.2% in 2009 to an estimated £1,356.8 million. The three supermarkets with the biggest organic market shares – Sainsbury's, Tesco and Waitrose – saw their combined organic sales fall by 10.6%.

Sales through non-multiple retail outlets (including box schemes, mail order, farm and health-food shops, farmers' markets and catering establishments) fell by 14.9% to £483 million. Independent retail accounted for 26.3% of the organic market (Figure 8, page 12).

Multiple retailers

► Asda

Asda lost some but not all of the ground it had gained with its 25% sales growth in 2008, as sales in 2009 dipped by 20.8%.¹¹ Its share of multiple retail sales of organic products fell from 10% to 9.2%.¹²

Sales of bread and baked goods fell by 33.5%, fresh fruit and vegetables by 23.3% and meat, fish and poultry by 16.9%. The best-performing categories were organic baby food, up 20.6%, and organic milk – which almost held its own with only a 0.4% drop in sales.

The UK organic market

FIGURE 7

PRODUCT SHARE OF THE UK ORGANIC MARKET IN 2009*

and sales performance in 2009 compared to 2008

Dairy produce		33%	-5.5%
Produce		26%	-14.8%
Home cooking ingredients		6%	+1.4%
Fresh meat		5%	-22.7%
Confectionery		4%	-8.7%
Hot beverages		4%	-2.4%
Breakfast cereals		4%	-8.6%
Chilled convenience foods		4%	-21.4%
Biscuits		3%	-19%
Bread and bakery		3%	-39.8%
Alcohol		2%	-30%
Fresh poultry and game		2%	-28.2%
Savoury snacks		2%	-1%
Canned goods		2%	-14.1%

*excluding baby food

► The Co-operative¹³

Organic products accounted for 0.88% of all the Co-operative's food and drink sales in 2009, compared to 0.95% in 2008.

Organic sales fell by 16.1%, wiping out the 15% growth achieved in 2008. While the bigger spenders on organic products continued to buy them, the Co-operative found that some new or less committed customers leaned towards products with a lower price premium. The one bright spot was organic baby food, whose sales increased by 13.9%.

The two biggest categories of organic products in terms of sales value were dairy (33.5%) and fresh produce (17.3%).

► Morrisons

In terms of organic sales, Morrisons fared better in a tough year than most of its rival retailers. Its organic sales fell by 5.2%,¹⁴ leaving it with a market share of 6.4% compared to 5.8% in 2008.¹⁵

► Sainsbury's

Sainsbury's is the second-biggest retailer in the UK organic market. In 2009 its sales fell by 12.4% but its market share increased marginally from 23.2% to 23.6%.¹⁶

Baby food, milk and hot beverages were its best-performing organic categories in 2009. Baby food sales increased by 19%, while sales of tea and coffee grew by 4.2%. Sales of organic dairy products at Sainsbury's dipped by 6% overall but organic milk sales increased by 3.5%.¹⁷

► Tesco

Tesco remains the UK's leading organic retailer, with a 27.5% share of the multiple retail market¹⁸ – despite a 13.1% drop in sales in 2009.¹⁹ It stocks 800 organic lines, and anticipates adding 50 more in 2010. Own-label products account for around two-thirds of its organic sales.

Fresh fruit and vegetables represented 31.8% of its organic sales in 2009 – the biggest single category. Dairy products accounted for 28.7% and meat, fish and poultry for 10.9%.²⁰

Tesco's sales of organic fruit and vegetables fell by 8% in 2009, while sales of dairy products and eggs dropped by 16.5%. Sales of meat, fish and poultry were down by 12.7%. As with all the other major retailers organic baby food bucked the downward trend, increasing by 14%.²¹

Encouragingly Tesco reports that the majority of categories are seeing their decline in sales slowing, while fruit and vegetable sales are starting to grow again. It predicts that its organic sales overall will increase by 1% in 2010.

► Waitrose

Waitrose has the biggest range of organic products among the leading multiple retailers, stocking just over 2,600 lines (including seasonal lines) in 2009. It also has the most committed customer base, as organic products accounted for around 6% of food and drink sales in 2009.²²

Organic sales through Waitrose fell by 3.8% over the year,²³ reflecting a more resilient performance

The UK organic market

in the recession than its larger rivals achieved. This enabled a strengthening of its organic market share to 20.9%,²⁴ cementing its position as the third-largest retailer in the organic market.

The Waitrose own-label organic range accounts for 23% of sales.²⁵ Prominent among the leading organic brands on sale to Waitrose shoppers is Duchy Originals, now available exclusively through Waitrose and independent retail and export markets. Waitrose acquired the worldwide master licence for the brand in 2009.

The retailer says grocery, beers and spirits, and toiletries and skincare were its three best-performing organic categories in 2009 when compared with sales in the previous year. The success of its toiletries and skincare range shows the potential of the small but fast-growing health and beauty category to establish itself in the supermarkets.

Waitrose predicts an increase in its organic sales of between 3% and 5% in 2010. It is concerned about shoppers facing the potential confusion of yet another organic symbol when the EU's new logo is introduced in 2010, but encouraged by the prospect of a generic marketing campaign for organic products funded by organic businesses and the European Union.

FIGURE 8

RETAIL SHARE OF THE UK ORGANIC MARKET IN 2008 AND 2009 and sales performance in 2009 compared to 2008

Multiple retailers 2009		£1,356.8 million	73.7%	-12.2%
Multiple retailers 2008		£1,545.4 million		
Box schemes/home delivery/mail order 2009		£154.2 million	8.4%	-9.8%
Box schemes/home delivery/mail order 2008		£170.9 million		
Farm shops 2009		£32.67 million	1.8%	-13.8%
Farm shops 2008		£37.9 million		
Farmers' markets 2009		£18.96 million	1.0%	-20%
Farmers' markets 2008		£23.7 million		
Catering 2009		£16.47 million	0.9%	-10%
Catering 2008		£18.3 million		
Other independent retailers 2009		£261.1 million	14.2%	-17.7%
Other independent retailers 2008		£317.3 million		
Total 2009		£1,840.2 million		-12.9%
Total 2008		£2,113.5 million		

The UK organic market

Non-multiple retailers

► Box schemes

Overall the Soil Association estimates that box scheme and mail-order sales amounted to £154.2 million in 2009 – a drop of 9.8% on the previous year.

There are hundreds of home-delivery box schemes for organic products in the UK. These range from individual producers with under a hundred regular customers to large operators delivering tens of thousands of boxes every week.

The 2009 guide to box schemes licensed by Soil Association Certification Ltd²⁶ lists 160, most of which (83%) are in England. There are 13 in Wales and 11 in Scotland (8% and 7% respectively), plus two each in Northern Ireland and the Channel Islands.

The biggest player in this market is Riverford Organic Vegetables, based in Devon, which was judged best organic retailer in the 2009 Natural and Organic Products Industry Awards. Riverford reports that deliveries fell by 8% in 2009 but its turnover held up well, falling by just 1%. Sales at Flights Orchard Organics, another large operator with bases in Shropshire and Herefordshire and a delivery area that stretches from Bristol to Manchester, fell by 10%. Overall the sales of the biggest box schemes – those with a turnover above £1 million – fell by 7.45%.

The fortunes of smaller box schemes have been

mixed. Most say that the quality of produce has been higher during 2009 but they have lost sales during the economic downturn. Some report losing out to customers growing their own vegetables, while others report picking up business from the closure of small shops.

It is medium-sized operations that appear to have been hit hardest. While the smallest box schemes²⁷ saw their sales decline by an average of just 1.7%, those in the medium category²⁸ were hit by an average drop of 22.7%. The smallest box schemes often have the strongest local links, with a high proportion of established and committed customers. Medium-sized box schemes often have a more fluid customer base with a core of committed buyers that is proportionally rather smaller.

► Farmers' markets

There are over 500 farmers' markets in the UK, according to the National Farmers' Retail and Markets Association (FARMA), with an estimated turnover of £2 billion in 2008. A survey conducted by FARMA on behalf of the Soil Association in early 2009 found that organic sales accounted for an estimated 9.5% of the turnover of farmers' markets.

The picture varies somewhat across the country. But Soil Association licensees who sell their produce through box schemes, farm shops and farmers' markets have tended to find that farmers' markets are the outlet where sales have been hit

hardest by the economic downturn.

The Soil Association estimates the value of organic sales through farmers markets to have been £18.96 million in 2009, down 20% on the previous year.

► Farm shops

FARMA says there are over 1,000 farm shops in the UK, selling local food produced on the farm directly to the public.

It has been a tough year for many organic farm shops, and some have been forced to close. There is considerable variation around the country, however. Some have managed to increase or even double their turnover, while others have seen business halved. The online market has generally held up better than sales over the counter.

The Soil Association estimates that the value of organic products sold through farm shops fell to £32.67 million in 2009 – a drop of 13.8%.²⁹

► Catering

Taking its own data and trends in the wider restaurant trade into account, the Soil Association estimates that the value of organic sales through the catering and restaurant trade fell by around 10% in 2009. This puts the value of the organic catering and restaurant sector at £16.47 million. Organic food and drink account for an estimated 0.34% of the total restaurant market.³⁰

In January 2010 there were 25 businesses licensed by Soil Association Certification Ltd to run organic catering and/or restaurant operations.

The UK organic market

This represents a 19.4% reduction from the previous year. 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.

There were two new applicants for Soil Association certification in 2009, compared to 11 the previous year.

A notable success among certified restaurants and caterers was the Duke of Cambridge, the country's only certified organic pub, which increased its turnover by 5% in 2009. Its founder, Geetie Singh, puts this positive performance in the recession down to two main factors – the flexibility of the gastropub format compared to restaurants (allowing the choice of a drink or a snack as well as a full meal) and the loyalty of established customers. "Our customers are definitely shopping in a more savvy and price-conscious way but in our experience they are not trading down their ethics," she says. "Maybe when people can afford to eat out once a week rather than twice it becomes more important for them to choose to go where their money is doing some good in society."

The Food for Life Partnership – led 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. There are now 1,800 Food for Life schools, providing

130,000 children with fresh, seasonal, climate-friendly meals that are free from transfats and undesirable additives. Ten more local authorities and contract caterers launched Food for Life menus in 2009. Take-up of school meals in award-winning Food for Life Partnership schools increased by 16%.

The continuing success of Food for Life prompted the Soil Association to launch the Food for Life Catering Mark in 2008, an alternative to full organic catering certification. The Catering Mark is 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.

So far there are 40 Catering Mark licensees and applicants in the process of accreditation. Establishments covered by gold accreditation include three nurseries and a restaurant in Bristol, 24 primary schools in Dorset and 40 in Ayrshire, an events caterer in Berkshire and Celtic Football Club in Glasgow – accredited for its children's weekday and matchday menus. Cawdor Castle in Nairn was the first visitor attraction to receive gold accreditation.³¹

Most Catering Mark applicants join the scheme primarily because they want independent verification and wider recognition for what they are already doing in ethical sourcing. The clear aim of the scheme,

however, is that licensees should be encouraged to do more and more and to progress up the accreditation ladder. Eden Food Service, a company that serves 11,000 meals in 96 schools in the Croydon area of south London, recently became the first Catering Mark licensee to move up between tiers of the scheme. Its accreditation was upgraded from bronze to silver, making it the first contract caterer in the country to achieve silver status.

Another success story is Early Years Catering, a small nursery caterer in Bristol. It says its Food for Life Catering Mark accreditation played a pivotal role both in securing a Bristol City Council contract in competition with national catering firms and in increasing uptake of its meals from 600 to 1,650 a day.

Despite the success of Food for Life, sustainable sourcing in public procurement may come under increasing pressure as a result of the economic downturn. The Office of Government Commerce aims to cut £16 billion of the £220 billion spent on public procurement by 2014, including £224 million of cuts in food procurement.

The UK organic market

Product category sales³²

The sales performance of all the main categories of organic food and drink is summarised in Figure 7 (page 11). We also reflect further on eight categories of particular size or interest below.

► Baby food

Sales of organic baby food increased by 20.8% in 2009,³³ exceeding £100 million for the first time.³⁴

Baby food has been an important gateway into buying organic food for a whole generation of parents – it is 18 years since Organix launched the first range in the UK. The birth of a first child often stimulates or heightens awareness of the importance of healthy eating, and organic baby food continues to appeal to parents who want their children to enjoy a natural, wholesome diet.

The six main companies in the organic market are Heinz, Cow & Gate, Hipp, Organix, Ella's Kitchen and Plum Baby. The increasing birth rate is a factor in the striking growth in sales in the past year but product innovation is also playing a part, offering parents a wider choice that includes infant snack foods. Organic baby food was originally available only in jars but some companies have pioneered alternative packaging formats, such as pouches and pots. Organix led the move into healthy infant snacks with its successful Goodies range. Both Ella's Kitchen and Plum Baby plan new infant snack ranges in 2010.

► Bread, bakery and biscuits

Bread and other bakery products account for 3% of organic food brought back to the home.³⁵ The Soil Association estimates that organic bread and bakery sales through multiple retail were worth £40.7 million in 2009 – down 39.8% on the previous year. Biscuit sales also fell, by 19%.

Bread sales were hit by a combination of the economic downturn and problems with variable product quality. There are signs that in spite of this some artisan bakers are moving forward, with high-quality products that continue to command strong support from a core of committed consumers.

A key concern for 2010 is the uncertain availability of organic flour and other ingredients after the negative impact of a wet summer on the 2009 harvest. It is important to maintain the confidence of organic farmers in continuing to invest in and produce organic cereals.

► Beverages

Organic hot and alcoholic beverages account for 4% and 2%, respectively, of the organic food and drink brought to people's homes. The Soil Association estimates that organic hot beverage sales via multiple retail were worth £54.3 million in 2009 – down 2.4% on the previous year. Sales of alcoholic beverages fell to an estimated £27.1 million – down 30%.

Sales of organic beer fell mainly because the economic downturn hit demand, and because

multiple retailers cut back their organic offerings.

A greater number of organic beers were produced in 2009 than in 2008 but the major retailers stocked fewer labels, and sales were also affected by a decline in pub visits. Sales of spirits saw a good year in the independent trade, counterbalanced by a narrowing of ranges among the major retailers.

It was a comparatively good year for organic cider and wine sales, although there are worries among cider producers about duty changes announced in the March 2010 Budget. Over 350 different organic wines are now available to the UK consumer.

► Chilled food and drink

Chilled convenience foods such as pizza, quiche and ready meals account for 4% of organic food and drink brought to the home. The Soil Association estimates that sales through multiple retail were worth £54.3 million in 2009 – down 21.4% on the previous year. This bigger-than-average fall reflects a recessionary trend among organic shoppers of buying fewer preprepared foods.

► Dairy

Dairy products account for 33% of organic food and drink brought to the home. This share has increased from 31% in 2008 because organic dairy sales have held up better in the recession than most other categories. The Soil Association estimates that sales through multiple retail were worth £447.7 million in 2009 – down 5.5% on the previous year.

The UK organic market

A TRADE PERSPECTIVE

Huw Bowles

It has been a difficult year in the organic industry, with most experiencing a significant drop in sales.

Many of the heavier spenders on organic products chose to stick with organic food through the economic downturn. But those who buy organic products only occasionally did so less frequently in 2009.

It is important for the organic industry to remember that most of its customers only buy a few organic products when they shop. Although sympathetic to our arguments, these shoppers are particularly susceptible to being wooed by other products with ethical credentials. It is vital that we communicate the benefits of 'organic' to those outside the core of committed organic shoppers.

Organic food and farming deliver such a range of benefits that it can be difficult to encapsulate a reason to purchase in one snappy sound bite that resonates with all. In this context it has been encouraging to see organic companies coming together as never before in 2009 to get our message across.

Through the Organic Trade Board, and with the support of Sustain and the Soil Association, we have raised £1 million for a generic marketing campaign to communicate the benefits of organic

food and farming. One of the themes of the campaign will be to dispel the myth that organic food is always more expensive than non-organic products. Another of our challenges is to communicate the benefits of the high standards and rigorous inspection and certification process that underpin organic products.

In the case of primary products such as fruit, vegetables and meat, differences in production techniques rightly mean that organic products are more expensive than intensively farmed foods. But this is not the case for many processed foods, textiles and other products. With many everyday staples, it is possible to switch from a best-selling non-organic product to an organic one and actually save money.

We have come through a very difficult year, defying those who forecast the demise of the organic industry. We have emerged with a greater sense of togetherness and a real desire to take organics to the next level. The economic outlook remains challenging, of course. But with indisputable environmental and nutritional benefits and some great products, I am confident that we can return to growth in the near future.

Huw Bowles is Chief Operating Officer of the Organic Milk Suppliers' Co-operative and Chair of the Organic Trade Board

Organic milk has been one of the most resilient products in the organic market in the face of the economic downturn. Sales increased by 1% in 2009,³⁶ which was the best year for organic milk sales on record.

Other organic dairy products have also proved relatively resilient, although not to the same extent as milk. Sales of organic yoghurt, which is the second-largest organic dairy category and takes nearly 7% of the total yoghurt market, fell by 7% in 2009.³⁷

Organic cheese remains an underdeveloped area. Sales grew by 8% in 2009, but this was from a low base. Organic cheese only takes a 1.5% share of the total cheese market, compared to 6.7% and 3.2% shares of the total market for organic yoghurt and organic milk respectively.

► Eggs³⁸

Organic egg sales were down 19.1% on the previous year. Organic eggs accounted for 4.5% of all eggs sold by volume and 8% by value. Retail prices for organic eggs were relatively static throughout the year, and falling demand was apparent across all major retailers. As demand fell the retailers reduced the shelf space available, a move that can often depress sales further.

The drop in organic egg sales does not represent a drop in demand for all higher-welfare eggs, however. Sales of barn eggs increased by 18.4% and free-range sales by 7.8%, while sales of value and standard cage eggs fell by 5.9% and 2.3%

The UK organic market

respectively. Customers appear to be deserting cage eggs for welfare reasons but some are also 'trading down' from organic to free range to economise.

As the sale of cage eggs is to be banned in the UK from 2012, more retailers are cutting back their ranges in anticipation of this legal requirement. This is likely to fuel even higher demand for free range eggs, and should increase the potential to expand organic egg production and sales in the future.

► Meat and poultry

Fresh meat accounts for 5% of organic food and drink brought to the home. The Soil Association estimates that sales through multiple retailers were worth £67.8 million in 2009 – down 22.7% on the previous year. Sales of organic poultry and game also fell, by 28.2%.

Demand for organic beef from supermarket shoppers fell by around 30% as people 'traded down' to save money – from more expensive cuts to cheaper ones, from organic to non-organic and from red meat to white.

The impact of the recession on organic lamb sales appears to have been less severe than for organic beef. Retail sales fell by some 10%. There was also a narrowing of the price difference between organic and organic lamb, from 26% in 2008 to around 15% in 2009.

► Produce

Fresh fruit and vegetables and salads account for 26% of organic food and drink brought to the home.

The Soil Association estimates that sales through multiple retailers were worth £352.8 million in 2009 – down 14.8% on the previous year.

Non-food products³⁹

Sales of organic clothing and of organic health and beauty products remain buoyant as consumers consider the health implications of products absorbed through their skin and the environmental impact of intensive cotton production.

► Textiles

Organic products have been a small but growing segment of the £30 billion UK clothing and textiles market for a number of years. In 2009, however, the recession hit demand. The Soil Association estimates that sales remained at 2008 levels, holding at around £100 million.

Organic cotton accounts for around 90% of UK organic textile sales. The remaining 10% consists of wool, linen and other organic fibres.

The UK makes up about 10% of the global organic cotton market. About four-fifths of demand is due to major retailers incorporating a measure of organic cotton into the mix in their manufacturing, which provides a welcome outlet for producers but does not put identifiable organic products on the shelves. The remaining fifth becomes clothing and other products, such as bed linen and nappies, that are fully organic and

identified and promoted as such.

The companies using organic cotton include well-known global brands such as Timberland and Nike and established high-street retailers such as Marks and Spencer, Gap and New Look.

Alongside these big companies are smaller ethical fashion names such as People Tree, Howies and Green Baby, and specialist retailers such as Greenfibres and Seasalt. Cornish-based Seasalt – which has its own brand of coastal-inspired leisurewear – increased sales through wholesale, its website and 12 stores by an overall 43% in 2009. Organic and natural items now account for 65% of its own-brand products and 36% of the company's total turnover.

A significant development in raising the profile of organic wool has been the partnership between the fashion retailer, Jigsaw, and Ardanish Isle of Mull Weavers – a Soil Association licensee that produces tweeds, shawls, scarves, throws and gift items using the wool from native-breed Hebridean, Shetland and Manx sheep. In partnership with Ardanish, Jigsaw designed and developed an exclusive range of organic tweed coats, jackets, skirts and hats that was launched in September 2009.

The annual Natural and Organic Products Industry Awards include a category for best organic textile product. In 2009 this was won by Continental's 'EarthPositive Apparel' organic cotton T-shirt, certified by the Soil Association.

The UK organic market

► Health and beauty

The Soil Association estimates that sales of certified organic health and beauty products grew by a third in 2009, to £36 million.

The turnover generated by Soil Association health and beauty licensees more than doubled, increasing from £7.1 million to £16.8 million. Export revenue accounted for a significant portion of this increase, but growth rates within the UK defied the recession. Notable performers included both the established brands and a number of smaller newcomers.

The biggest brand in the sector is Neals Yard Remedies, which converted more products to certified organic status in 2009 and increased its revenue from certified organic skincare by 17%. The company's owner, Barnabas Kindersley, says there is "more interest in ingredients and ethics than ever before".

A number of new brands were launched in 2009. The Soil Association gained 13 new health and beauty licensees, and several UK and international brands certified by Ecocert also entered the market. Competition for retail shelf space is fiercer than ever.

Retailers reported mixed results in 2009. Supermarket labels appear not to have done so well as in the previous two years, although Waitrose cites organic health and beauty as one of its best-performing categories. Consumers are increasingly shopping where they can easily access

product information, such as at the leading brands' own stores or via their websites. Spiezia and Essential Care reported a 20% increase in UK sales through their websites in 2009. So Organic, the online department store for organic health, beauty and food products that also has a high-street store in south-east London, saw its sales increase by 30% in the first nine months of the year. It plans to open more stores in the near future.

The annual Natural and Organic Products Industry Awards include categories for best organic facial skincare product and best organic bodycare product. In 2009 these awards were won by Lucy Russell Organics' rose toner and Essential Care's coconut candy scrub.

A lack of regulation is still a concern in this sector. Health and beauty products are not protected by EU organic legislation in the same way as food, which gives rise to a baffling number of organic claims and self-styled logos appearing on non-certified products. Unsubstantiated claims and rogue ingredients in non-certified products pose the largest threat to consumer confidence in the sector.

In this regard it is to be hoped that the launch of CosmOS in April 2010 will be a step forward. CosmOS is a set of harmonised European standards that are not a legal requirement but may help clean up the sector and protect consumer trust.

Organic farming in the UK⁴⁰

FIGURE 9

ORGANICALLY MANAGED LAND IN THE UK 2003-09

2009	743,516 hectares
2008	682,196 hectares
2007	619,783 hectares
2006	619,852 hectares
2005	674,506 hectares
2004	694,979 hectares
2003	741,174 hectares

Organically managed land

The area of land under organic management increased to 743,516 hectares (ha) in January 2009 – up 9% on a year previously (Figure 10, page 20). This represents more than the combined area of Lancashire and Cheshire, or Somerset and Wiltshire. It constitutes 4.3% of the UK's total farmland of 17,450,000 ha.

Sectoral growth includes a 17% increase in land used to grow organic vegetables, an 11% increase in organic arable land and a 9% growth in organic permanent pasture (figure 11, page 21). The average organic farm is now 143 ha, or 353 acres.

The proportion of land that is farmed organically varies widely within the UK, from a high of 9% in south-west England to 1% in Northern Ireland (Figure 13, page 21). These differences are shaped by a wide range of factors that include the historic strength of organic farming; differing levels of strategic and financial support from policy makers through organic action plans and conversion payments; variations in consumer and regional market demand; the ease of access to national markets; the local availability of large-scale processors for primary ingredients such as milk; and the existence of successful model farms and businesses to inspire change.

The number of organic producers in the UK has increased by 4.2% to 5,177 – a percentage growth rate that is almost exactly in line with the 4.3% growth in organic land area. This shows the extent

to which growth is being driven by producers who are new to organic production. We are also seeing growth involving established producers taking on additional land, such as dairy farmers looking to become more self-sufficient in forage and feed. The figure for land under organic management is a combination of fully organic land and farms undergoing a two-year conversion period. The amount of land in conversion dropped by 5.6% in the year to January 2009, to 149,103 ha. This shows that the rate of conversion is slowing but indicates that the area of organic land will continue to increase unless established producers remove land from organic production and certification.

In Wales and England the areas of land in conversion increased by 60.1% and 2.3% respectively. The surge in conversion in Wales reflects extensive support provided by the Welsh Assembly Government. Elsewhere there were dramatic reductions in the area of land in conversion, which fell by 26.3% in Northern Ireland and 82.1% in Scotland. Scotland's results may reflect the difficulties experienced by producers in obtaining conversion payments in 2007-08.

Northern Ireland showed the greatest growth in fully organic land (38.9%), followed by Scotland (16.6%), Wales (15.4%) and England (9.8%). Wales had the highest rate of growth in organically managed land overall – up 29.8%.

Predictions that significant areas of land would be removed from organic production during the economic

Organic farming in the UK

FIGURE 10

DISTRIBUTION OF ORGANIC LAND (HECTARES) IN THE UK IN 2008 AND 2009

and area change in 2009 compared to 2008

Organic 2009		594,413	+13.37%
Organic 2008		524,303	
In conversion 2009		149,103	-5.57%
In conversion 2008		157,893	
Total 2009		743,516	+8.99%
Total 2008		682,196	

ENGLAND

Organic 2009		283,993	+9.76%
Organic 2008		258,744	
In conversion 2009		91,074	+2.29%
In conversion 2008		89,037	
Total 2009		375,067	+7.85%
Total 2008		347,781	

SCOTLAND

Organic 2009		225,137	+16.57%
Organic 2008		193,133	
In conversion 2009		6,204	-82.15%
In conversion 2008		34,759	
Total 2009		231,341	+1.51%
Total 2008		227,892	

NORTHERN IRELAND

Organic 2009		10,141	+38.94%
Organic 2008		7,299	
In conversion 2009		2,350	-26.29%
In conversion 2008		3,188	
Total 2009		12,491	+19.09%
Total 2008		10,488	

WALES

Organic 2009		75,143	+15.38%
Organic 2008		65,127	
In conversion 2009		49,475	+60.07%
In conversion 2008		30,908	
Total 2009		124,618	+29.76%
Total 2008		96,035	

downturn have so far proved to be wide of the mark. Although some land has been deregistered, more than expected has remained in organic production.⁴¹

Organic farm incomes

Defra funds a project that plots the financial performance of organic farms in England and Wales against their non-organic counterparts. Data for 2007-08, published in 2009, shows that organic farming incomes continue to compare favourably in all the sectors monitored except poultry. The figures show, however, that net income gaps between organic and non-organic farming have narrowed – mainly because of higher prices being paid to farmers for many non-organic products in 2008 compared to the previous year. In the lowland dairy and arable sectors the net income gap closed by 26.4% and 22% respectively. In contrast there was a dramatic turnaround in net farm incomes in horticulture, where organic producers earned 50% more than their non-organic counterparts in 2007-08 having earned 32.6% less in 2006-07.

Arable

Growing conditions were mixed for organic arable farmers in 2009. The winter of 2008-09 was colder than others in recent years, with more snow than many producers had experienced for some time. As spring arrived, however, most crops were drilled into

Organic farming in the UK

good seedbeds and established well, prior to much of the country entering a dry spell that lasted almost two months in some areas. Then came a period of unseasonable rain in July. The rain fell almost every day throughout the month, the harvest was delayed and farmers were saddled with extra costs to dry their crops.

Most grain processors relaxed their normal 15% maximum moisture requirement, to allow for higher-moisture grain. Generally yields of organic cereals were higher than in the previous two seasons, and bean crops returned to a degree of normality after two very poor seasons.

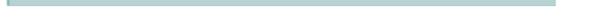
Grain protein levels were very low. Very few milling wheat samples achieved 12% protein, with most falling within the 10–11% range. Low protein levels in organic feed grains forced feed manufacturers to increase their use of imported proteins, while on-farm feeds had to be combined with bought-in supplements.

Sales of organic grain were slow throughout much of 2009 as demand fell following the dramatic dip in the economy from late 2008 onwards. Average organic cereal prices dropped from just over £200/tonne in January to around £165/tonne by December. The price of organic feed wheat slumped to £170/tonne in the autumn of 2009 from a high of £300/tonne 18 months before.

The milling oats market saw few of the 'black tip' quality issues of 2008, but heavy oversupply of organic oats pushed prices down to £125/tonne.

FIGURE 11

USE OF ORGANICALLY MANAGED LAND IN THE UK 2008 AND 2009

Cereals 2009		57,239
Cereals 2008		51,544
Other crops 2009		11,161
Other crops 2008		11,272
Fruit and nuts 2009		1,884
Fruit and nuts 2008		2,025
Vegetables (including potatoes) 2009		19,756
Vegetables (including potatoes) 2008		16,878
Herbaceous and ornamentals 2009		5,508
Herbaceous and ornamentals 2008		612
Temporary pasture 2009		129,855
Temporary pasture 2008		125,113
Permanent pasture (including rough grazing) 2009		494,316
Permanent pasture (including rough grazing) 2008		452,021
Woodland 2009		5,885
Woodland 2008		11,484
Non-cropping 2009		6,319
Non-cropping 2008		8,023
Other 2009		1,332
Other 2008		686
Unknown 2009		10,260
Unknown 2008		2,540
Total 2009		743,516
Total 2008		682,196

Organic farming in the UK

The oats market has too little structure, and continues to suffer from damaging imbalances between supply and demand.

Some oats producers achieved milling premiums as high as £30/tonne but very few samples achieved this because average protein quality was so poor. The situation was not helped by a pesticide contamination problem that hit the milling oats market in late 2008. Sales slowed while the contamination was being dealt with, until new sampling and testing arrangements were introduced early in 2009.

Beans fared better than oats, trading at £220-£230/tonne. Yields were better than in 2008 but the UK is still woefully short of homegrown proteins for animal feed.

Horticulture

Most organic growers endured an uncertain time in 2009. The growing season was a distinct improvement on the previous two but the economic downturn depressed sales for much of the year. The supermarkets reduced their organic ranges in response to reduced demand, and this restricted availability for consumers who wanted to continue to buy organic produce.

It was only towards the end of the year that the fortunes of larger producers began to revive as the drop in sales came to an end in some supermarkets, and retailers started to expand their ranges again. Some smaller producers fared better than their larger

counterparts, reporting an encouraging rallying of sales throughout the year after a dramatic dip in the second half of 2008. But many were hit hard by the cold snap in December 2009 and the prolonged colder conditions of a snowy January at the start of 2010, which posed problems with harvesting and deliveries. One box scheme reported having to cancel its boxes for two full months until it had sufficient range to continue.

The overall picture is very mixed. Organic producers in the north of England seem to have been hit hardest by the economic downturn. But even some traditional heartlands of the organic market – such as the south west – have had pockets of hardship where sales (and businesses) have collapsed. Conversely some producers in Scotland and south-east England have remained resilient enough through the recession to be optimistic about the future.

Top fruit yields were mostly average in 2009, although the skin finish of some fruits was often below par. There was a bumper plum crop but sales did not match yields – primarily because supermarkets chose not to stock the produce.

From producers supplying the supermarkets (and supplying some of the biggest box schemes) the Soil Association hears persistent reports of specifications being tightened and cheaper imports from mainland Europe being favoured. There will need to be a stronger commitment to UK growers for more to have the confidence to supply these larger markets.

Some growers report that their sales have fallen

slightly because of the revival in people 'growing their own' on allotments and in gardens. But the effects of home growing are not necessarily negative overall: an understanding of how hard it is to grow vegetables can lead to a greater commitment to local growers.

Seed

The organic sector is working towards using only organic seed on organic farms, but farmers and growers can apply for a derogation allowing the use of non-organic seed as a last resort – if there is not enough organic seed to go round. Numbers of these non-organic seed derogations increased by 16% in 2009, from 13,791 to 16,012, as two years of poor weather took their toll on organic seed production.

Adverse weather conditions in 2007 and 2008 led to many failures of organic vegetable, cereal and grass seed crops, affecting seed availability in 2009. Hybrid and Italian ryegrass seed ran out at the end of summer 2009, for example, preventing growers from reaching the 65% organic seed threshold normally required of them.

There can be considerable differences between sectors in the number of derogations permitted and the extent to which non-organic seed is used. Potato producers, for example, managed to cut their use of non-organic seed by 46% in 2009 – from 1,666 tonnes to 898 tonnes. There is scope to reduce this still further, as some in the industry are concerned

Organic farming in the UK

that derogations are being given unnecessarily when there is organic seed available.

Derogations in the horticulture sector as a whole increased slightly in 2009. Some crops, such as leeks and tomatoes, have seen a significant increase in non-organic seed use – partly because growers have been trying to find new varieties that will cope better with the wetter summers we have been experiencing.

With the exception of winter rye and winter triticale, there have been substantial reductions in derogations for non-organic cereal seed across all types of cereals – in both winter and spring categories. This welcome news is a reflection of improved communications via seed working groups, more accurate data capture and greater consistency of approaches across all certifying bodies.

Continued progress with organic seed production and use is important. It allows the organic sector to comply with regulatory requirements, protects the integrity of organic production and builds public trust in organic food.

Livestock

► Beef⁴²

It was a difficult year for a number of beef producers in 2009 because of imbalances between supply and demand. Demand fell by around 30% against the background of a modest increase in production overall.

Farm gate prices dropped by an average of 3.5% over the year, while the organic premium obtained by farmers over non-organic prices fell from 22% in 2008 to an average of 9% in 2009. Average prices in 2009 were £3.06/kg, compared with £3.17/kg the previous year.

Retail prices dropped slightly through 2009 but retail organic premiums held steady at around 30%. By December the markets were generally thought to have stabilised but a number of smaller producers, processors and retailers did not survive the year.

The Blue Tongue disease threat did not materialise but bovine tuberculosis is having a big impact on both beef and dairy producers, leading to financial loss and severe restrictions on trading across many parts of the country – particularly Wales and south-west England. Forage supply was also a challenge for some producers because of a rainy July that led to poor hay harvests in many places.

► Lamb⁴³

It was a fairly uneventful year in the sheep-farming sector. Demand and prices held up better for organic lamb than for organic beef, and the major scab and Blue Tongue problems anticipated did not materialise.

The supply of organic lamb increased as newly converted farms from Wales entered the market. With farm gate organic premiums low, however, many farmers sold their lambs through the

non-organic market in the autumn. This led to shortages by the end of 2009, exacerbated into early 2010 by cold and snowy conditions that affected the finishing of lambs on stubbles and disrupted deliveries to slaughter. The premium obtained by organic producers over their non-organic counterparts fell from an average of 8% in 2008 to 4% in 2009.

The strength of the pound ensured strong demand from mainland Europe for UK-produced lamb. The buoyant export market had a positive impact on the farm gate price for non-organic lamb, and organic lamb benefited from this increase. Average farm gate prices for organic lamb increased by 16%, from £3.20/kg in 2008 to £3.72/kg in 2009.

The number of organic lambs coming out of Wales is predicted to rise sharply in 2010, as a result of the resumption of organic farming subsidies. This will put further pressure on the organic premium, and many producers are likely to find themselves without an organic market for their lambs.

► Pork

Organic pork production fell significantly during 2009, following unprecedented growth in 2008.

At the beginning of 2009 producers were hit by very high feed prices and nervousness among retailers about stocking product in the face of the recession. While branded product sales seem to have held up well, sales of the supermarkets'

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A PRODUCER PERSPECTIVE

Graeme Matravers, Manor Farm

The Soil Association's Farmer and Grower Board consists of farmers and growers from across the UK, representing a wide range of different farm enterprises. For all of us 2009 was a frustrating year for one reason or another.

Parts of the UK suffered an exceptionally wet July, making the harvest challenging. Most crops needed to be dried out after harvest, requiring extra fuel. The forage harvest was difficult, and straw has been in short supply.

More recently we have been hit by the coldest winter for 30 years. Many livestock farmers are running out of forage and straw, and shortages have pushed up prices. Many growers have seen crops destroyed by snow and frosts, and spring planting is well behind schedule.

Besides inconsistent weather, the Farmer and Grower Board has had two overriding concerns in the past year – the state of the organic market and bovine tuberculosis. With the possible exception of the dairy sector we have seen a serious decline in sales of organic products during 2009, and few green shoots of recovery are visible.

It is a paradox that a sustainable production system is the only future for food production in a world of growing populations and dwindling fossil

fuels, and yet we seem to struggle to get our message across. We need to revisit how we promote ourselves.

Bovine TB is another conundrum. As it continues to spread and the numbers of cattle reactors grow, some parts of the country are now devoid of cattle. We need to find a holistic solution that works for both the badger and cattle populations.

Farmers are a diminishing breed, with little political clout. But some politicians recognise the seriousness of the challenges we face and their far-reaching implications for the wider community. Food security, sustainability, climate change and energy use have all moved up the agenda.

How sustainable is it for our food production to be so dependent on nitrogen fertilisers, whose manufacture requires so much fossil fuel that they account for 40% of all the energy used in agriculture? In spite of challenging economic circumstances we have an opportunity to influence the debate and revive the UK organic market. We have a fantastic story to tell but we need to use it to secure stronger customer support – it is public attitudes, and the market place that reflects them, that will ultimately decide our fate.

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

own-label products suffered as retailers reduced ranges and availability in response to lower demand.

Some retailers now feel they may have overreacted, and are encouraging a little more supply. At the same time feed prices have fallen substantially, leaving a more sensible margin for existing producers. Export activity is also strong for at least one UK company, helping to ensure there is a market for all parts of the carcass and helping to clear any production surpluses.

The sharp contrast in production levels between 2008 and 2009 shows again that the organic pig supply chain is afflicted by cycles of boom and bust. It does not seem to have been able to find any more stability than the non-organic market. Producers relying mainly on direct and local sales are perhaps not as vulnerable to instability as those supplying the multiple retailers, but they are certainly not immune.

► Poultry

Organic poultry production fell substantially in 2009 as consumer demand dipped. Supermarket sales of poultry and game fell by 28.2%.⁴⁴ In line with this a recent Soil Association abattoir survey indicates a reduction of around 20% from 2008 to 2009 in the volume of organic chickens produced.

One leading poultry processor has predicted that sales of organic chicken will fall by a further 23% in 2010, and has looked to scale back production on this basis. This has prompted some contracted farmers to revert to non-organic free-range

Organic farming in the UK

TABLE 1
ESTIMATED SALES OF ORGANIC LIVESTOCK AS NON-ORGANIC IN 2009⁴⁵
 and predicted organic livestock production in 2010

	Beef	Sheep	Pigs	Chickens	Turkeys
Number of abattoirs responding to survey	17	11	11	5	3
Total killed as organic (headage)	29,448	174,241	63,765	2,771,171	13,391
Total sold as organic	23,300 (79.1%)	170,883 (98.1%)	63,002 (98.8%)	2,771,171 (100%)	13,391 (100%)
Change in total killed from 2008 to 2009	-4.9%	-5.4%	-9.7%	-20.9%	-1%
Predicted change from 2009 to 2010	+0.7%	-5.1%	-5.2%	-3.6%	+6.7%

production – a step that will take at least 12 months to reverse if they decide to return to the organic fold (because of conversion rules). If the organic market starts to grow again in 2010, then supplies of organic poultry may fail to meet demand.

At least organic poultry producers enjoyed healthier margins in 2009, as feed prices fell from their high point in 2008. Ironically lower prices were due in part to reduced demand for feed grains from the struggling pig and poultry sectors. Any increase in poultry production during 2010 is likely to push up feed prices again. Producers may also have to rely more on relatively expensive imported proteins in 2010, as protein levels were low in the domestic feed grains harvest because of wet conditions.

The Soil Association's abattoir survey suggests that organic turkey producers fared better in 2009

than their chicken-producing counterparts (Table 1, above). The survey findings indicate that production for the mainstream retail market may have decreased by as little as 1%. While the survey did not pick up slaughtering by small producers for a direct market, feedback from some of these producers suggests that demand in 2009 was similar to the year before. Some farms report an increase in sales as a result of improvements in local marketing.

► Eggs

Organic egg production fell in 2009, in response to falling demand. Contracted organic egg producers were encouraged to revert to free-range production if they had the required infrastructure and were interested in doing so. This helped the majority of those who chose to

remain in organic egg production to maintain a relatively static egg price for much of the year, although average farm gate prices fell by 4% in the final quarter.

Producers received a boost to their bottom line from reductions in feed and energy costs, but overall it was a tough year for most. Some independent producers selling directly to the consumer, or via wholefood and organic shops, reported seeing little of the reported 'slump' in organic sales. But for others the picture was quite different. One told the Soil Association that sales had dropped by nearly a third early in the year, and only recovered to 80% of 2008 levels by the end of 2009.

One of the UK's largest egg packers says that consumer demand may fall farther in 2010 but predicts that the decline in sales will slow down considerably.

► Milk

Production of organic milk has increased by 50% in the past three years, buoyed by strong consumer demand that has proved relatively resilient in the economic downturn. In 2009 more new producers came to the end of their conversion periods and started to supply organic milk, although in smaller numbers than in 2008.

Most of the additional supply has been absorbed by the market. But the combination of a modest supply surplus and lower-than-expected demand for organic cheese production meant that prices

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to producers were lower than the highs of 2008. With supply having largely stabilised and demand for organic milk remaining strong, it is to be hoped that producer prices will increase to a more sustainable level in 2010.

It will help that little or no new supply is projected to come on stream in 2010. With no producers starting conversion in 2009, it will be 2012 or 2013 before we are likely to see any further significant growth in organic milk supply.

The weak pound, coupled with a shortage of organic milk in some mainland European countries, has created export opportunities for some UK producers. The cost of transport across the Channel means that such sales are only ever going to be economic when one market is short of supply. For this reason export revenue should be seen as an opportunistic bonus rather than part of a planned strategy. But exports nevertheless played an important role in balancing sales in 2009.

Aquaculture

► Salmon

The combined effect of consistent domestic demand and buoyant exports ensured an expanded market for the UK's organic salmon producers in 2009 – despite a dip in supermarket sales. One established producer reports a sales increase of 10–12% from 2008 to 2009, and is

planning to expand production by another 20% in 2010.

Demand has been driven by a relatively stable UK market and by increasing sales throughout Europe, with France and Germany leading the way. UK producers have also been helped by a 20% drop in the world supply of farmed salmon caused by problems with the salmon anaemia virus, or ISA, in Chile. Chile and Norway together produce 80% of the world's farmed salmon but ISA devastated numerous Chilean production sites and forced the closer of several processing facilities.

The limited availability of approved fish meal and fish oil for organic diets could be a constraining factor on further growth in 2010. Both are vital for maintaining the consistency of feed and are the major contributors to feed prices. World stocks of fish oil and fish meal have been in decline, while demand from eastern countries has been increasing. These supply and demand challenges pushed prices up to over £1,000/tonne in 2009. If prices continue to rise and the euro strengthens, UK producers may struggle to compete.

► Trout

The UK market for organic trout declined by approximately 20% in 2009, and some producers reverted to non-organic production. There are signs that the market is beginning to turn, however. One large producer reports that its sales were 8% higher in January 2010 than in January 2009. It predicts that sales will continue to improve and that it will

regain some of the ground lost during the recession.

► Carp

Organic carp production is still in its infancy, with just one licensed organic producer. Some encouraging sales were achieved over Christmas 2009 and the new year, but work needs to be done to get more producers on board and ensure a guaranteed supply all the year round.

National trends

► England

England's fully organic land area increased by 9.8% in the year to January 2009. In-conversion land increased by 2.3%, bringing the total area of land under organic management to around 375,000 ha.

Of conversion enquiries received in the first nine months of 2009, half related to beef and/or sheep farming. The other half were spread across a number of sectors – most significantly horticulture (9%), arable (8%) and poultry (7.5%).

There was a slight shift in the balance of subsequent advisory visits to farms – 55% related to beef and/or sheep, 17% to arable farming, 7% to horticulture and 5% to poultry. Enquiries from dairy farmers were very low, and only one advisory visit was made.⁴⁶

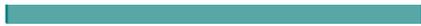
Analysis of calls by region shows that the South West continues to demonstrate the highest level

Organic farming in the UK

FIGURE 12

NATIONAL AND REGIONAL DISTRIBUTION OF ORGANIC LAND (HECTARES) 2008 AND 2009

and area change in 2009 compared to 2008

ENGLAND 2009		375,067	+7.86%
ENGLAND 2008		347,781	
Eastern 2009		18,016	+0.31%
Eastern 2008		17,960	
East Midlands 2009		15,966	-2.12%
East Midlands 2008		16,311	
Northeast 2009		35,422	+15.92%
Northeast 2008		30,557	
Northwest 2009		24,966	+5.25%
Northwest 2008		23,720	
Southeast and London 2009		57,605	+0.82%
Southeast and London 2008		57,138	
Southwest 2009		170,488	+10.37%
Southwest 2008		154,470	
West Midlands 2009		37,865	+11.74%
West Midlands 2008		33,887	
Yorkshire and the Humber 2009		14,740	+4.64%
Yorkshire and the Humber 2008		13,737	
NORTHERN IRELAND 2009		12,491	+19.09%
NORTHERN IRELAND 2008		10,488	
SCOTLAND 2009		231,341	+1.51%
SCOTLAND 2008		227,892	
WALES 2009		124,618	+29.76%
WALES 2008		96,035	

of interest (41% of calls), followed by the North West (16%) and the South East and North East/ Yorkshire and Humberside (both 13.5%). Again the picture changes somewhat when it comes to advisory visits made. The South West is still the dominant region (33% of visits) and the South East also comes in strongly at 24%. These are followed by the North East/ Yorkshire and Humberside (16.5%), the North West (14%) and the West Midlands (9.5%).

Around four-fifths of English agricultural land under organic management is fully organic, while a fifth is in conversion. A disproportionately high percentage of land in conversion is temporary grass – 23% – and there is potential for some of this land to be used for vegetable production as the market picks up.

► Northern Ireland

While interest in organic farming continues to grow, at 1% the proportion of farmland that is organic is still much lower than in other parts of the UK.

The amount of organically managed land in Northern Ireland reached 12,490 ha in January 2009. The new Organic Farming Scheme, which opened in autumn 2008, is providing support for 803 ha of in-conversion land.

The main focus of organic farms in Northern Ireland is the production of dairy products, beef, sheep, poultry and eggs. They supply local markets, the rest of the UK and beyond. There are over 50 organic processors, several vegetable box schemes,

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a number of specialist shops and one organic salmon farm.

The continuing expansion of the main UK supermarket chains in Northern Ireland continues to facilitate the increasing availability of organic products. Much of what is on sale is imported, although locally produced organic milk and eggs are widely available. Limited quantities of locally produced organic meat and poultry can also be found.

During the past year the prices received by Northern Ireland's organic livestock and dairy farmers have stayed above non-organic prices at £2.95–£3.15/kg for cattle (a 30p/kg premium), 26–30p/litre for milk (a 4–6p/litre premium) and £4.40/kg for lamb (a 40p/kg premium).

During 2008 the Organic Action Plan Group for Northern Ireland completed its work with the publication of an integrated development strategy for the organic sector. The Department of Agriculture and Rural Development (DARD) is currently exploring options for assisting with the implementation of this strategy, including formation of a new advisory group.

► Scotland

Between January 2008 and January 2009 the amount of organically managed land in Scotland increased by 1.51% to 231,341 ha. But the amount of in-conversion land fell by 82%.

Interest in in-conversion also dropped. The number of conversion packs sent out to potential

converters fell from 34 to 13. Reductions in fertiliser prices, high organic feed costs and high farmgate prices for non-organic cattle and sheep are among the economic factors that are likely to have contributed to this reduced level of interest.

The first contracts for organic conversion and maintenance under the Scotland Rural Development Programme (SRDP) came in to force in 2009. Through the first five application rounds, £5.4 million was committed to organic options by the Scottish Government. This represents 12% of the £45 million in funding for the organic sector announced by Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment, at the launch of the six-year scheme in May 2007.

Market prices for organic cattle and sheep in Scotland remained high throughout 2009. While there were fluctuations in premiums over non-organic stock, these premiums were consistently at a low level compared to previous years. Marketing options were limited, as ABP Perth temporarily ceased procurement of organic cattle in the middle of the year. This left only one Scottish abattoir processing organic cattle and sheep on a large scale.

It was another difficult year for the pig and poultry sectors because of low demand and high costs. Demand remained relatively strong for organic dairy production but there was a drop in the average prices attained by producers.

The Organic Market Link project, funded by the

Scottish Government, carried out a sixth annual survey to estimate production of organic produce in the 2009–10 marketing season. Preliminary results suggest that production of finished cattle and sheep will be at similar levels to those of the previous year, while arable production will rise and the output of finished pigs will fall significantly.

► Wales

The area of organically managed land and the number of organic producers continued to increase in 2009. The total of fully organic and in-conversion land now stands at 124,617 ha, up from 96,035 ha at the end of 2008. A further 4,960 ha will be certified as 'in conversion' by the end of March 2010.

More than 8% of the total agricultural land area in Wales is now managed organically. The number of organic producers has topped 1,100 for the first time.

Elin Jones, the Minister for Rural Affairs, committed £2.8 million to support organic conversion between 2009 and 2012. The first quarter of these funds was allocated last year.

Beef and sheep enterprises dominate organic production in Wales. The Organic Centre Wales (OCW) annual producer survey, funded by Farming Connect, indicates that organic beef and sheep numbers are set to increase by 45% and 65% respectively in 2010 as a result of conversions over the past three years. There is concern that this additional production may struggle to find

Organic farming in the UK

a market because of reduced demand following the recent economic downturn.

The picture is rather different in other sectors, however. There was a fall in numbers of organic dairy cows and laying hens in Wales in 2009. The area of organic arable and horticultural land remained comparatively static.

Producers' views on prices vary considerably between sectors. The majority of arable, egg and horticultural producers thought that prices were 'high enough' in 2009. But dairy, beef and lamb prices were more of a bone of contention. Only 16% of producers believed dairy prices were high enough in 2009, compared to 50% in 2008. Only 20% of beef and lamb producers were content with prices, while 50% were not (the remainder being unsure). However, there are reasons for optimism: organic lamb prices remain above 2008 levels and have been relatively stable for a number of years.

There is much concern in the organic sector about Glastir, the new scheme that in 2012 will replace all the existing agri-environment schemes for Wales (including the Organic Farming Scheme). The full details of the scheme remain uncertain, but OCW's survey suggests that 17% of organic producers will revert to non-organic farming if the scheme goes ahead as currently proposed. OCW is discussing with the Welsh Assembly Government how best to support organic farmers as part of the higher-level tier of Glastir.

Policy, standards and marketing developments

Food production and climate change

Climate change was the dominant issue of 2009 for food and farming policy makers in the run-up to international talks in Copenhagen in December. The Government published its UK Low-Carbon Transition Plan, and the farming industry in England made a voluntary commitment to reduce its greenhouse gas emissions by 11% by 2020.

The Soil Association was a leading contributor to the debate, highlighting the part that organic agriculture could play in tackling climate change in a hard-hitting report – *Soil Carbon and Organic Farming*. The report reveals that converting all UK farmland to organic production would store an additional 3.2 million tonnes of carbon in the soil each year – the equivalent of taking a million cars off the road. It also estimates that a global switch to organic production could offset around 11% of the world's greenhouse gas emissions for at least 20 years.

The Soil Association ensured that the organic voice on climate change was heard in the UK and internationally through its membership of Defra's Rural Climate Change Forum and its support for a delegation to the Copenhagen summit coordinated by the International Federation of Organic Agriculture Movements. At Copenhagen it was one of eight organisations that joined together to form the Round Table on Organic Agriculture and Climate Change – a new international initiative to promote organic farming as the leading sustainable system of agriculture.

Honeybees and pesticides

Over 17,000 people have signed a Soil Association petition urging the Environment Secretary, Hilary Benn, to follow the lead of France, Germany, Italy and Slovenia in banning neonicotinoid insecticides – linked to a dramatic decline in honeybee populations. Neonicotinoids make bees vulnerable by damaging their immune systems and sense of smell and by impairing their ability to communicate, navigate and forage.

School meals and nursery food

Parent power is proving a potent weapon in Better Nursery Food Now – a Soil Association campaign supported by Organix, the children's food company. In a survey of a thousand parents, 89% said they wanted to see legally enforceable rules for nutritional standards in nurseries to match those in place in primary schools. The Government's School Food Trust has agreed to an official review of nursery school food standards as a result of the campaign.

Better Nursery Food Now is building on the success of the Soil Association-led and Lottery-supported Food for Life Partnership, which now has 1,800 schools enrolled in a programme to serve healthier meals, improve food education and enable children to visit farms and grow their own fruit and vegetables.

From Food for Life to Food Futures

The Soil Association's Food for Life Catering Mark gold standard for healthy and environmentally friendly food requires at least 75% of ingredients to be fresh and unprocessed, 50% to be locally produced and 30% to be organic. Over 150,000 meals per day are being served to Food for Life Catering Mark standards to a wide range of organisations, from schools to hospitals. Embracing this standard as best practice for school meals is just one of the challenges to government contained in Food Futures – a far-reaching policy manifesto published by the Soil Association in 2009.

Food Futures offers a coherent vision for 'resilient food and farming', setting out a wide range of strategies to tackle the growing challenges of climate change, dwindling fossil fuels, diminishing farm biodiversity and a world increasingly divided by extremes of hunger and obesity.

New European standards

A new EU Regulation for organic food and farming came into force in January 2009. Key changes include:

- ▶ An extension in the scope of organic standards to include seaweed and yeast.
- ▶ Deletion of a category that previously allowed manufacturers of products that were not fully organic but contained more than 70% organic ingredients to highlight this on packaging.

Policy, standards and marketing developments

- ▶ Provision for all organic ingredients, however small a percentage they represent of the overall product, to be individually identified as organic in the ingredients panel
- ▶ Introduction of new 'made with' labelling for products containing wild-caught fish and game
- ▶ Mandatory inclusion of certain additives of agricultural origin (such as lecithin, pectin and gums used for thickening and binding) in the calculation of the percentage of organic ingredients in a product
- ▶ Mandatory use of the EU organic logo on packaging from July 2010, together with mandatory disclosure of whether a product is derived from EU or non-EU agriculture.

New Soil Association standards

As well as incorporating the new regulation into its standards, the Soil Association added some standards of its own that came into force in April 2009. It is making the use of its symbol mandatory for Soil Association-certified products, to ensure UK consumers are given clear information in the face of confusion that might be caused by the new EU logo. It has also permitted its licensees to use the naturally derived insecticide spinosad under certain restricted conditions, and required them to record any use of air freight in their operations to inform future policy decisions on this issue.

Soil Association licensees are now specifically

prohibited from clearing 'primary habitat' such as threatened rainforests – a measure particularly aimed at guarding against environmental destruction in organic palm oil and soya production.

UK marketing and trade developments

Despite a dip in sales of organic products in 2009, a number of leading brands continued to invest in marketing their products. Yeo Valley Organic, for example, relaunched its children's yoghurts under the name Little Yeo's, added new products to the range and supported the relaunch with price promotions and advertising in supermarket magazines. Green & Black's began the year launching a new Creamy Milk variant in its chocolate range, backed by press and poster advertising. It followed up with a packaging overhaul, an export expansion into the German market and an autumn brand advertising campaign. By early 2010 it was announcing plans to switch its entire global range to Fairtrade by the end of 2011.

Several smaller brands and companies established themselves or consolidated their position in the market in 2009, even though it was a relatively quiet year for innovation. Rocks, maker of organic squashes and cordials, launched several new products and increased sales by 25% in the year to August 2009 as some shoppers 'traded down' to dilutables from more expensive fruit juices, smoothies and fizzy drinks. Mr Organic achieved several new retailer listings for its range of pasta sauces and tinned

products, while a number of health and beauty companies continued to expand their ranges.

Alongside product and brand launches and promotions, 2009 was a year in which the organic industry came together as never before to show support for promoting the organic message. Green & Black's, Yeo Valley Organic, Rachel's, Organix and the Organic Milk Suppliers' Co-operative are among around 80 companies that have pledged almost £1 million over three years to support a generic marketing campaign about the benefits of organic food and farming under the umbrella of Organic UK. Coordinated by Sustain and supported by the Soil Association, the Organic Trade Board (OTB) and other leading organic bodies, Organic UK is seeking match funding from the European Union to launch the campaign in late 2010.

The OTB unveiled a business plan in 2009 aimed at doubling UK organic sales within five years. The Soil Association has supported the OTB's work on implementing the plan by funding a new position of organic trade consultant based at its head office in Bristol, and has set up a new Trade and Producer Support department that will provide the organisation's frontline contact with the trade and producers.

Looking forward

TABLE 2

ORGANIC MARKET DECLINE 2008 TO 2009⁴⁷

*and indications of the market turning a corner from comparative figures for the year to February 2010

► **Dairy products: -5.5%**

*Rate of decline in yoghurt sales has slowed from 7% to 1.7%

► **Produce: -14.8%**

*Decline in fruit sales halved to 12.2%

► **Fresh meat: -22.7%**

*Rate of decline for beef, bacon and pork sales cut to 7.1%, 2.6% and 1.7% respectively

► **Confectionery: -8.7%**

*Rate of decline for chocolate cut to 5%

► **Hot beverages: -2.4%**

*Tea sales up by 1.2%

► **Breakfast cereals: -8.6%**

*Rate of decline cut to 2.2%

► **Biscuits: -19%**

*Rate of decline cut to 2.5%

► **Bread and bakery: -39.8%**

*Rate of decline for bread cut to 9.4%

► **Alcohol: -30%**

*Cider sales up 2.6%; rate of decline for beer and lager cut to 1.6%; decline for wine cut to 9.4%

► **Fresh poultry and game: -28.2%**

*Rate of decline cut to 7.9%

► **Fresh fish: -46%**

*Rate of decline for wet and smoked fish cut to 5.2%

The main focus of this report is to examine the organic market in the previous calendar year. In this section, however, we look forward. We assess what kind of year we expect 2010 to be for the organic market and for organic farming, using a combination of Kantar Worldpanel insights, trend analysis, and forecasts and commentary from leading Soil Association licensees and multiple retailers.

A return to market growth

The Soil Association predicts that the organic market will return to growth in 2010, expanding by 2–5%.

Rates of decline have slowed significantly in all categories of organic products in the first two months of 2010, with a return to growth in some areas.⁴⁸ Those multiple retailers that have made forecasts for 2010 are predicting modest growth. Among 28 larger Soil Association licensees selected to provide a barometer of the market, only 7% anticipate a further decline in their sales in 2010, while 61% expect growth.

We have examined organic sales for the year to 22 February 2010 and compared these with figures for calendar year 2009.⁴⁹ This highlights seven sub-categories of organic products where sales are now growing modestly after declining in 2009 – cider (up 2.6%), tea (1.2%), cooking sauces (1.1%), long-life desserts (1%), herbs and spices (0.8%), honey (0.5%) and flour (0.4%). In all other categories the rate of decline has slowed significantly, with

a further eight sub-categories showing a decline of under 2% and indications that a number of categories should go into growth during 2009 (Table 2, left).

Further encouragement is provided by the latest sales picture for smaller high-street retailers such as Londis, Mace, Costcutter and Spar. In 2009 these retailers saw their organic sales fall by 17.7%. In the 12 weeks from the beginning of December 2009, however, organic sales were up 21.1% on the same 12-week period a year previously.

In compiling *The Organic Market Report 2010* the Soil Association invited leading multiple retailers to predict what they expected to happen to their organic sales in 2010. Most chose not to make a prediction but those that did – Tesco and Waitrose – predicted modest growth (of 1% and 3–5% respectively). Together these two retailers accounted for over 45% of the UK organic market in 2009.

We have also heard from 28 'barometer' Soil Association licensees about their expectations of market growth or decline. They include major producers, processors and retail operations, with a combined turnover of hundreds of millions of pounds and representation of all the major product categories. Only two of the 28 (7%) expected their sales to decrease, with nine (32%) anticipating a static market for their companies – mainly in the produce sector – and 17 (61%) predicting growth. Among those predicting an expanding market,

Looking forward

24% anticipated sales growth of under 5%, 35% were in the 5-10% range and the remaining 41% predicted a growth rate of over 10%.

Two relatively small areas of the market where organic products may make further progress in 2010 are online retailing and public and private-sector catering. Online retailers such as Ocado report strong growth and a high proportion of organic sales. The success of the Food for Life Partnership and burgeoning interest in the Food for Life Catering Mark suggest there will be increasing opportunities for organic producers to supply schools and contract caterers.

Taking all this information on board, we believe an overall growth rate of 2-5% can be predicted with real confidence. Growth levels are likely to be higher for some products, particularly the growing sectors of baby food and health and beauty products. There should also be higher-than-average growth in areas that have weathered the economic storm relatively well, such as dairy and grocery.

Our reason for being more cautious in our optimism than our licensees is that major cuts in public spending are anticipated after the General Election to reduce the government's deficit. We know that public-sector professionals are an important part of the committed consumer base for organic products, and significant public-sector redundancies and/or pay cuts could put the brakes on market recovery to some extent.

An expansion of organic production

Recent conversion statistics point to a measure of underlying confidence in the future potential of organic farming. The amount of land under organic management continues to grow overall in the UK as a whole – despite indications to the contrary in Scotland, the effects of the economic downturn throughout the UK, fluctuations in conversion support and the relatively high prices currently available to non-organic farmers for their products (particularly beef and lamb).

We anticipate two significant landmarks being reached with the UK's organic land area in the next two years. In 2010 or 2011 Wales should become the first part of the UK where more than 10% of the agricultural land area is farmed organically. By 2012 we should see the proportion of UK farmland that is organic go above 5% for the first time.

A better year for organic producers

There can be few certainties in farming. Climate change threatens to make the incidence of extreme rainfall events and severe flooding more frequent. Wet conditions have badly affected harvests in each of the past three growing seasons. We are also warned to expect hotter, drier summers and dwindling water supplies for irrigation in southern and eastern England as average rainfall decreases and the population grows.

Against this uncertain background, however,

we can be reasonably optimistic that the market will be kinder to organic producers this year than last. Not only are sales picking up again for some product categories but we have also seen some stabilisation in prices and in supply/demand imbalances that can only bode well.

Demand for organic arable crops exceeds UK supply. Observers of the arable sector rate the prospects for organic arable producers as being at least as good as those for non-organic producers, as long as farmers work their rotations towards market demand.

In horticulture the enthusiasm for home-grown vegetables shows no sign of abating. There are long waiting lists for allotments in some parts of the country, and many horticultural events run as part of the 'Making Local Food Work' Community Supported Agriculture (CSA) programme have been over-subscribed. This perceived threat could be turned into an opportunity, however, if organic growers can cash in on this growing market by filling the 'hungry gaps' between surpluses of home grown crops, by supplying plug plants and by providing training and/or access to land for people without the time, skills or space to grow all their own vegetables.

We anticipate that market demand for organic produce will pick up in the course of this year and that modest market growth will be firmly established by 2011. Producers need to put themselves in a position to meet increased demand in 2011 by establishing mechanisms such as producer pools

Looking forward

– which offer their customers volume, flexibility and traceability – and by working more closely with buyers to ensure that supply and demand can be matched as closely as possible.

After the severe buffeting of 2009, the outlook for livestock producers looks generally calmer. Few are anticipating a rapid improvement in the fortunes of the sector, but a period of stabilisation and modest expansion is expected.

Cattle prices have remained reasonably stable since before Christmas. There has been a slight reduction in demand since the beginning of 2010, and this has led to a slight weakening of the price. But we expect prices to strengthen a little this year as long as retail sales improve. Increased demand could even lead to shortages of supply, as many organic store cattle were lost in 2009 to the buoyant non-organic trade – meaning that it will not be possible for them to return to the organic sector as finished stock.

We anticipate that the price of organic lamb will remain strong, although with premiums over non-organic available only at times of traditional shortage. This is because of high lamb prices generally, which are having the effect of sucking many organically reared lambs into the non-organic market.

Organic pig production fell dramatically in 2009 but the supply of organic pigs had stabilised by the end of 2009. An increase in numbers is now predicted in 2010. For those organic pig producers who have survived the past 18 months – and several

good ones have not – the future looks good for a while now.

Organic dairy products are one of the categories where sales have remained comparatively resilient in the face of the recession. Organic dairy producers' 3% share of the total dairy market means that there is considerable room for further growth in the next few years. We expect sales to increase modestly in 2010. There are opportunities to develop markets outside the core business of supermarket liquid milk sales, including public and private sector catering and the expansion of regional and local sales.

As well as making the most of such opportunities, the key challenge for the organic dairy sector is to improve its seasonal balancing capabilities by increasing the demand for cheese and organic milk powder.

A new era in market development

A new marketing campaign led by the Organic Trade Board has already kicked off in 2010, aimed at raising awareness of the benefits of organic products. It is anticipated that a larger Organic UK generic marketing campaign, part-funded by the EU and by around 80 businesses from across the UK organic industry, will commence later in 2010.

Both campaigns are designed to re-engage lapsed consumers and encourage an increase in spending on organic food and drink over the next three years. Sustain is fronting Organic UK's bid for EU funds,

supported by the Soil Association. These campaigns are likely to boost the profile of organic products, which will be further bolstered by new product launches planned in 2010 after a period of relative promotional inactivity during the economic downturn.

Appendix 1. Organic food sales in Europe⁵⁰

In 2008⁵¹ the European organic market continued to grow overall, particularly in France. Its total value was an estimated €18 billion, an increase of around 12% on the previous year. The largest markets for organic products were in Germany, France, the UK and Italy. It was in Denmark, Austria and Switzerland that organic products achieved the biggest share of consumer spending on food and drink and attracted the highest per capita spending.⁵¹

Despite the impact of recession in some countries, the organic sector has the potential to grow further as consumers focus more and more on values such as fairness, health, local provenance and taste – areas in which organic products can deliver.

Prices have fluctuated in 2008 and 2009, with sharp increases in 2008 followed by decreases in 2009 as a result of the economic crisis. After many years of high growth rates, the time has come for consolidation. Future growth rates are likely to be more modest and steady, with fewer fluctuations between shortages and oversupply.

► Germany

Germany remains the largest organic retail market in Europe, supplied both by domestic production and by imports. In 2008 multiple retailers sold 20% more organic products than in 2007 and accounted for 57% of sales. In 2009 the market stagnated. The volume of sales increased slightly, but because of falling prices the value of the domestic market dropped.

► France⁵²

The organic market grew by 25% in 2008. France overtook the UK and Italy to become the second-largest market in Europe. Multiple retailers and specialist organic food stores had almost equal shares of the market (42 and 40% respectively), although the multiple retailers had the highest growth rates (39%). The major product groups in terms of sales value were fruit and vegetables (17%), dairy products (16%) and wine (10%).

► Italy⁵³

Organic growth slowed to 5.4% in 2008. In the first six months of 2009 the market accelerated again by 7.4%. Fruit and vegetable sales grew by 38% in this six-month period, with vegetables alone accounting for 25% of organic products sold. Dairy products were the second-biggest category, accounting for 18% of sales.

► Switzerland

The Swiss organic market grew by 11.2% in 2008 to 1.44 billion Swiss francs – 4.9% of the Swiss food market.⁵⁴ Seventy-five per cent of organic products were sold in the multiple retailers. Organic eggs, bread and vegetables were the categories that achieved the biggest shares of the total food market, with 16%, 15% and 10% of sales respectively.⁵⁵

► Austria⁵⁶

In 2008 Austrian consumers spent 6.3% more on organic products than in 2007. Fresh produce sales increased by 3%. Multiple retailers remained

the most important sales channel, with 66% of sales. In Austria 5.3% of food and drink sales are organic – the second-highest proportion anywhere in Europe, after Denmark.

► Denmark⁵⁷

After Sweden, Denmark had the second highest growth rate in Europe in 2008. Danish consumers spent 29% more on organic products in the multiple retailers, which accounted for over 80% of organic sales. The growth rate owed much to a sharp increase in prices; by volume the growth in sales was 11%. The most important product category was dairy products and eggs with 37%, followed by cereal products with 13%.

► Sweden⁵⁸

In 2008 Sweden had the highest rate of organic market growth in Europe – 38%. 90% of organic food was sold through multiple retailers (primarily Coop, ICA and Axfood). Organic sales accounted for 5.99 billion Swedish crowns, or €623 million. The strongest product category was dairy and eggs (34% of sales), followed by vegetables (15%), fruit (14%), and bread and cereal products (9%). Domestic supply and imports both increased to meet rising demand.

Appendix 2. Methodology and data sources

The organic consumer

Data/insight on organic consumer spending and attitudes supplied by Kantar Worldpanel.

The UK organic market

Total multiple retail sales calculated using a combination of organic turnover data supplied by six retailers – Asda, Co-operative, Marks and Spencer, Sainsbury's, Tesco and Waitrose – and estimated sales figures for Morrisons. The Morrisons estimate was made by applying the percentage sales change for 2009 reported by Kantar Worldpanel and applying this to figures from the previous year's *Organic Market Report*. Together these seven retailers account for over 90% of multiple retail sales, and data on their market shares in 2009 was used to extrapolate a figure for total multiple retail sales from their combined turnover figure.

Box scheme sales calculated by surveying or individually contacting around 30 box scheme operators of various sizes – including the three biggest operators, who alone account for approximately 40% of box, mail order and home delivery sales. Sales figures were grouped according to annual turnover (small, medium, large and extra-large categories). An average percentage rate of growth or decline was calculated for each group, and these percentages were applied to the corresponding segments of the Soil Association's 2008 data to calculate an overall market figure for 2009.

Farmers' market sales estimated from a combination of anecdotal feedback and concrete data provided by Soil Association licensees surveyed or contacted for this report.

Farm shop sales calculated by estimating an overall percentage rate of decline based on Kantar Worldpanel data for high-street sales among small retailers, anecdotal feedback from Soil Association licensees contacted, and Soil Association survey data on the market performance of the bigger organic producers selling directly to the public.

Catering sales estimated in the light of licensee data and reports on the decline of the wider restaurant trade.

Other independent retailers' sales estimated by applying the percentage rate of decline in sales of organic products in smaller high-street shops such as Spar, Londis, Costcutter and Mace⁵⁹ to the sales figure for this segment of the market in the *Organic Market Report 2009*.

Organic farming in the UK

Organic land area, numbers of producers and regional distribution data collected by Defra from the organic certification bodies. Organic abattoir data taken from a survey conducted by the Soil Association in January–February 2010. Abattoirs were asked for a market prediction, and this was weighted against their 2009 throughput to give overall sector predictions. Organic price data taken from the Soil Association's *Organic Farming* magazine along

with individual producer sources. Organic farm income data sourced from farms on behalf of Defra by the Organic Research Group at Aberystwyth.

Appendix 3. References

- 1 Includes figures and insight from Kantar Worldpanel (which monitors the spending habits and attitudes of a demographically representative group of 25,000 GB households) and Onepoll.com (who conducted an online survey of 3,000 UK residents on behalf of the Organic Trade Board, December 2009).
- 2 Kantar Worldpanel.
- 3 Kantar Worldpanel.
- 4 Kantar Worldpanel.
- 5 An index of 100 indicates that an organic consumer is no more and no less likely to agree with this statement than the general population. An index of 50 means organic consumers are half as likely to support the statement, while an index of 200 means organic consumers are twice as likely to express the view described.
- 6 Kantar Worldpanel.
- 7 Onepoll.com.
- 8 Soil Association, *Organic Market Report and Organic Food and Farming Report 1999–2009*.
- 9 IRI.
- 10 Kantar Worldpanel.
- 11 Figures from Asda and Kantar Worldpanel.
- 12 Kantar Worldpanel.
- 13 Figures from the Co-operative.
- 14 Kantar Worldpanel.
- 15 Kantar Worldpanel.
- 16 Kantar Worldpanel.
- 17 Figures from Sainsbury's and Nielsen Scantrack.
- 18 Kantar Worldpanel.
- 19 Figures from Tesco.
- 20 Figures from Tesco.
- 21 Figures from Tesco.
- 22 Figures from Waitrose.
- 23 Figures from Waitrose.
- 24 Nielsen Scantrack (52-week data to 26 December 2009).
- 25 Figures from Waitrose.
- 26 Available online at www.soilassociation.org/linkclick.aspx?fileticket=c607fbz%2bqck%3d&tabid=336
- 27 The smallest are those with a turnover of under £62,000 in the Soil Association's categorisation of the market into small, medium, large and extra-large.
- 28 Box schemes with a turnover of between £62,000 and £171,000.
- 29 This estimate takes into account both the experience of a small sample of Soil Association licensees with farm shops and/or box schemes contacted for this report and Kantar Worldpanel figures/insight for organic sales through small high-street retailers.
- 30 Estimate based on valuation of the market as a whole at £5.37 billion in 2008 – see Market and Business Development (2009) *UK Restaurants Market Research Report* – and £18.3 million valuation of organic sales in the same year by the Soil Association.
- 31 For full listing and details see www.soilassociation.org/certification/whatwedo/whatwecertify/catering/tabid/416/default.aspx
- 32 Data and insight from Kantar Worldpanel unless otherwise specified.
- 33 Kantar Worldpanel.
- 34 IRI.
- 35 The distinction 'brought to the home' is because Kantar Worldpanel insight is based on households scanning their purchases when they get home from the shops, and so may miss 'impulse' purchases such as an office worker buying and eating an organic yoghurt at lunchtime or buying and eating an organic chocolate bar on the way home.
- 36 Figures from the Organic Milk Suppliers' Co-operative.
- 37 Figures from the Organic Milk Suppliers' Co-operative.
- 38 Figures from from Nielsen Scantrack.
- 39 The data and estimates in this section come principally from Soil Association Certification Ltd and its licensees.
- 40 All the statistics in this section originate from reports to the Department for Environment, Food and Rural Affairs (Defra) by organic certification bodies. Defra publishes data from the previous calendar year in the summer, so data covering the year to January 2010 is not yet available.
- 41 The reasons for this include land being locked into five-year agri-environment agreements and farmers being content to keep land organic while selling some of their products into non-organic markets at relatively high prices. The organic enterprises hardest hit by the recession have been poultry and pig producers, whose withdrawal from organic production has comparatively little impact on the total organic land area because their enterprises require relatively small areas of land.
- 42 Figures mainly from Graig Producers.
- 43 Figures mainly from Graig Producers.
- 44 Kantar Worldpanel.
- 45 Figures from Soil Association abattoir survey, January–February 2010.
- 47 These figures apply to visits that have arisen out of the calls received for this contract year. They do not take account of visits arising from calls from the previous contract year.
- 47 Kantar Worldpanel.
- 48 Kantar Worldpanel.
- 49 Kantar Worldpanel.
- 50 Material was first published in Willer H and Kilcher L (2010) *The World of Organic Agriculture – Statistics and Emerging Trends 2010*, IFOAM (Bonn) and FiBL (Frick). More information is available at www.organic-world.net
- 51 The most recent year for which a complete dataset is available.
- 52 Figures from Agence Bio: www.agencebio.org/pageddito.asp?idpage=145andn3=89 (accessed 10 January 2010).
- 53 Figures from Nielsen/Ismea data.
- 54 Values published in national currencies in this appendix were converted to euros using the 2008 average exchange rate from the European Central Bank – see <http://sdw.ecb.europa.eu/browse.do?node=2018794>.
- 55 Figures from Bio Suisse: www.biosuisse.ch/de/bioinzaehlen.php
- 56 Figures from FiBL Austria and AMA: www.biologica.nl/sites/default/files/Bio-Monitor-jaarrapport_2008.pdf (accessed 10 January 2010)
- 57 Figures from Statistics Denmark: www.statistikbanken.dk/statbank5a/default.asp?w=1152 (accessed 10 January 2010)
- 58 Figures from SCB Statistics Sweden: www.organic-world.net/statistics-finland-market-data.html (accessed 10 January 2010).
- 59 17.7% down according to Kantar Worldpanel.

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► Organic farming in the UK

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