

Review of the market for Welsh organic meat, 2007

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Executive summary

The supply situation for Welsh organic meat

Organic production in Wales has been developing steadily in the last five years, with particular emphasis on organic cattle and sheep production. This was despite over-supply conditions in some sectors, notably dairy, following the very rapid growth in 1999/2000.

Between the end of 2002 and end of 2005, the **number of holdings** increased by 12% to 688, and the **certified land area** increased by 29% to 71,000 hectares, of which more than 90% is grassland. Growth in Wales has exceeded other parts of the UK, reaching 5% of agricultural land by end 2005. More rapid growth is projected for 2006 and possibly 2007.

Organic cattle and sheep numbers have also increased steadily between 2003 and 2005, with total cattle numbers increasing by 114% to 37,000, and total sheep numbers increasing 105% to 248,000, representing 17 and 36% of the end 2005 UK organic population respectively (compared with 16% of UK holdings and 12% of UK land area).

Actual **output of Welsh organic lamb and beef** is more difficult to quantifying reflecting a continuing need for improved statistical data to support market development and the delivery of public policy. Best estimates are 4000-5000 cattle slaughtered as organic, but potentially available production (some in conversion and/or marketed as conventional) may be as high as 8000 head. For lambs, possible estimates based on available source range from 25,000 to 57,000, but potentially available production may be as high as 100,000. Better data is available within the industry, but is regarded as highly commercially sensitive and was not made available to the review team.

Organic **farm gate prices** for lamb and beef have remained relatively steady over the period, although the gap with conventional prices has closed as the conventional sector has recovered. Recent increases in demand for organic meat, and the temporary suspension of beef imports from Argentina (now restarted) have resulted in some strengthening of organic prices in 2006.

Organic premium prices do not, however, fully compensate for the increased **costs of production** per kg of meat, so that organic producers, like their conventional counterparts, are being paid less than the real costs of production, and are relying on Tir Mynydd, agri-environmental and Single Farm Payments to subsidise continued production. This leaves the industry vulnerable to any decline in market conditions and will mean continuing pressure on smaller producers to leave the sector.

The Welsh organic red meat sector currently relies on two main **marketing** approaches. The majority of lamb and beef (> 80%) is marketed through multiple retailers, supplied by two producer groups. The need for **producer collaboration** to ensure a strong price negotiating position with the multiple retailers is recognised and has been yielding benefits. The remainder of Welsh production is marketed on a smaller scale through specialist and local retailers and directly to consumers, through farmers markets, farm shops and via internet sales. There is currently virtually no exploitation of the **potential export market** (outside the UK) and still some difficulties with marketing light and store lambs as well as dairy bred calves and cull cattle, although various initiatives are in progress to address this.

The demand situation for Welsh organic meat

From a **consumer demand** perspective, the overall organic food market is in a healthy state: according to TNS data, it has just passed the £1 billion mark and has put on an extra £200 million in the last two years. Growth in the latest year was 10% and 17% in the previous year. There is still huge opportunity for growth by continuing to convert non-users and simply getting existing users to purchase more often.

Household penetration of any organic product is very high at 84%. However, many organic products are purchased by default, and are not planned, as consumers were either satisfying other needs or simply because they liked the product. The positive aspect is that organic is a benefit to products that fall in this category and gives something extra.

Current **organic users** are also interested in most of the **ethical issues** affecting society today. They regard themselves as connoisseurs of food and wine and as such purchase quality and premium food. As the main contributor to the sales within each of these sectors, this may dilute the expenditure they could make on organic food specifically. Heavy users in total organic represent 20% of buyers and they are responsible for 80% of organic expenditure. You would expect these heavy users to be committed organic purchasers but they only spend 5% of their grocery shopping spend on organic products. None of them are exclusive organic users and they cross-shop across the retail quality tiers (Organic/Premium/Healthy/Standard and Value) extensively. In organic meat the situation is the same. There are 0.3% of meat shoppers who buy only organic and a further 0.1% who buy only organic and premium. The rest shop across all the tiers.

This does however identify some of the scope for expansion and these **heavy users must be prime targets** for increased organic usage.

The red meat heavy organic shopper will buy over six times a year but medium users just under twice and light users just over once. This level of frequency is low and would suggest little commitment from the light and medium buyers and a very mixed cross-tier purchasing strategy for the heavy organic buyer.

There are 3.2 million households in GB who buy organic meat but there are only 68,000 who only buy organic meat. This figure is lower than that for any of the individual species, indicating that someone who is a loyal organic user of one species is not loyal to organic, when purchasing the other species. (Households who only purchase organic: Beef 108,000, Lamb 269,000, Pork 112,000, Red meat 68,000).

Heavy organic meat buyers will have one or two children and be in social class ABC1; they may be younger and older family groups. They are over represented in London, South, Scotland, East England and the South West.

Whilst beef is the biggest organic red meat sector, it is only 1.5% of total beef sales; Lamb is the strongest at 2.2% of sales. Pork is a clear third with organic being 1% of sales.

Organic meat in Wales is currently worth £2.4 million and is growing at 3% a year. This growth is coming from new entrants into the market. Total GB is growing 10% ahead of Wales but the household penetration in Wales is higher at 13.1% compared to 12.9% for GB. Growth in Wales is coming from all age groups and social classes, with the under 28's and the C2 groups being particularly strong.

This report also looks at the **retail market** in Great Britain for organic produce; there are additional opportunities within the foodservice sector where a number of

specialist organic restaurants are appearing and interest shown by some of the large operators in including an organic alternative on their menus.

There are also opportunities for **export** of organic Welsh lamb; currently some exports to Italy are carried out and there is further potential to exploit and develop this market. The potential for export of light organic lamb is restricted to southern European markets due to the small size and high seasonality of the product. Hybu Cig Cymru is have ongoing discussions with potential buyers in countries such as Portugal, Spain and Greece; however to date, the small volumes required have precluded meaningful developments due to logistical difficulties.

Recommendations

Despite the generally positive outlook from a demand perspective, there is a need to address some of the factors that might discourage producers from converting, including disruption to the Organic Farming Scheme, price levels that are below costs of production, and lack of markets for some livestock categories, in particular light lamb.

To address this, there is a need for:

- better **statistical data** on current and future production levels and market shares;
- continued efforts to **support producer groups** in developing markets for organic meat and in seeking to achieve realistic prices;
- continued development of **alternative marketing channels**, building on Welsh PGI and organic status, including local multiple and smaller retailers, public procurement, distribution hubs and exports;
- **consumer promotion** initiatives and increased Welsh organic meat presence at trade fairs;
- improved **production systems**, supported by effective research and development and knowledge transfer;
- improved **integration of effort** between organic sector businesses and the agencies that support the development of the Welsh meat and organic sectors;
- better **linkage** with the dairy, arable and horticulture sectors to benefit from complementarity relationships between the sectors at production, market development and promotional levels.

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1 Introduction

This report was commissioned by Organic Centre Wales (OCW) with funding from the Welsh Assembly Government (WAG) Agri-Food Development fund. It is part of a series of four Welsh organic sector reviews, covering dairy, meat, arable and horticulture. These reviews are intended to:

- update similar reviews commissioned by OCW four years previously;
- identify changes in UK and Welsh market supply and demand conditions;
- identify sector development priorities linked to 2nd Welsh organic action plan, the 2007-2013 Rural Development Plan (RDP) as well as other activities that fall within the scope of WAG Food and Marketing Development Division and Hybu Cig Cymru/Meat Promotion Wales (HCC);
- to update the Welsh organic trade directory as a resource for potential buyers.

In preparing this review, a number of earlier reports were revisited:

- the original Welsh organic meat market review prepared by the Soil Association (Bassett, 2003);
- the Red Meat Industry Forum (RMIF) report on the market for organic beef prepared with the Soil Association (RMIF, 2006);
- the 2004 TNS organic consumer study (TNS, 2004);
- other sources of financial and statistical data relevant to organic meat production (see Section 5).

New information was collected by means of:

- a survey of organic producer/processors carried out by the Institute of Rural Sciences, University of Wales, Aberystwyth (IRS)
- an analysis of recent TNS consumer data carried out by the Meat and Livestock Commission (MLC) on behalf of HCC
- an analysis of previously unpublished Defra data on organic production, as well as new data on organic production costs, prepared by IRS. (Unfortunately, 2006 data were not available from Defra at the time of writing).

This report brings together previously unpublished data and provides an update on the development of the Welsh organic meat sector, including the supply and demand situation and development needs. However, the report has also highlighted significant deficits in the available information which would need to be addressed for a better understanding of specific problems. As such, it represents an element of work in progress, with more to be done in future.

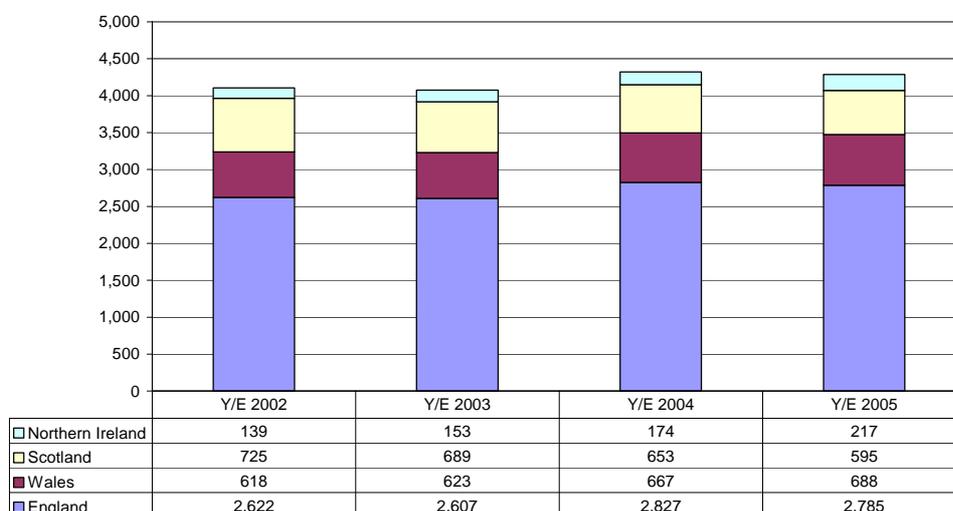
2 The supply situation for Welsh organic meat

This section aims to set out the key trends affecting the supply of organic livestock, putting Welsh data where available in the context of UK trends. Published data on actual quantities of organic meat produced and marketed as organic are not available – where feasible rough estimates based on other published data are provided.

2.1 Number and type of organic holdings in Wales and the UK

The period since 2002 has been one of slow growth and consolidation for the organic sector, following the very rapid expansion phase in 1999/2000. In Wales, the number of organic holdings has increased steadily, in contrast to Scotland and to some extent England where the number of holdings declined in 2005. Although 2006 data are not yet available, a significant increase to 750+ holdings in Wales is anticipated, on the basis of information available from Organic Conversion Information Service and Organic Farming Scheme returns.

UK organic and in-conversion holdings, 2002-2005



Y/E=year ending - values published typically as January following year

Source: Defra (2006)

Distribution of Welsh organic holdings by farm type/share of all holdings, 2005

Farm type	Organic holdings	All Welsh holdings	Organic share
Cereals	0	232	0.0%
General cropping	11	132	8.3%
Horticulture	28	497	5.6%
Specialist pigs	0	48	0.0%
Specialist poultry	7	336	2.1%
LFA dairy	64	2871	3.8%
Lowland dairy	44		
SDA sheep	85	11203	2.8
SDA cattle	22		
SDA cattle and sheep	87		
DA cattle and sheep	123		
Lowland cattle and sheep	66	2730	2.4%
Mixed (cropping, cattle and sheep)	26	646	4.0%
Other	85	2484	4.7%
Unclassified	32	-	-
Total	688	24330	2.8%

LFA=less favoured area; SDA = LFA severely disadvantaged area; DA = LFA disadvantaged area

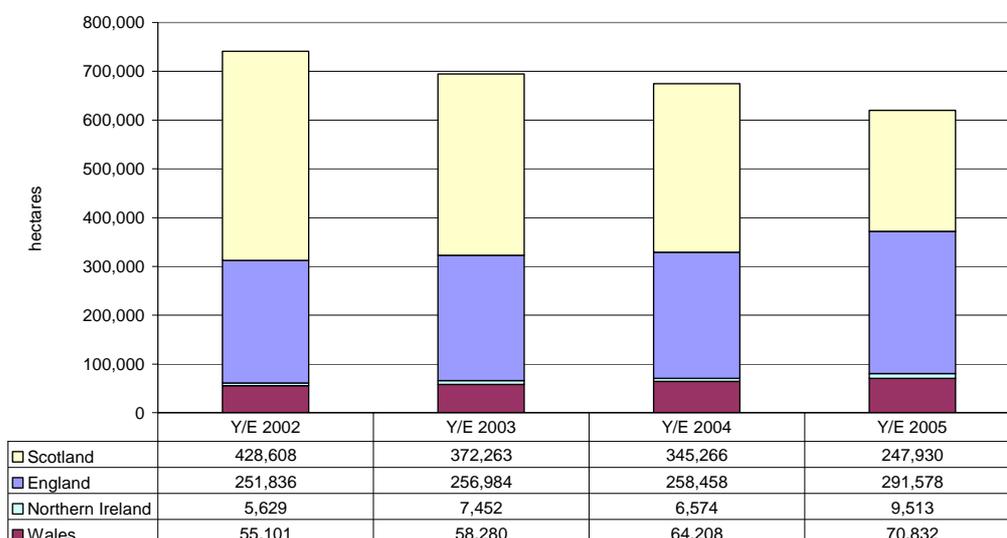
Source: WAG/Defra (2006)

The classification of the Welsh organic and in-conversion holdings in 2005 above shows the dominance of hill/upland (LFA) livestock types within the organic sector. However, general, horticulture and mixed cropping as well as dairy holdings are over-represented compared with the overall Welsh situation.

2.2 Organic land area and land use in Wales and the UK

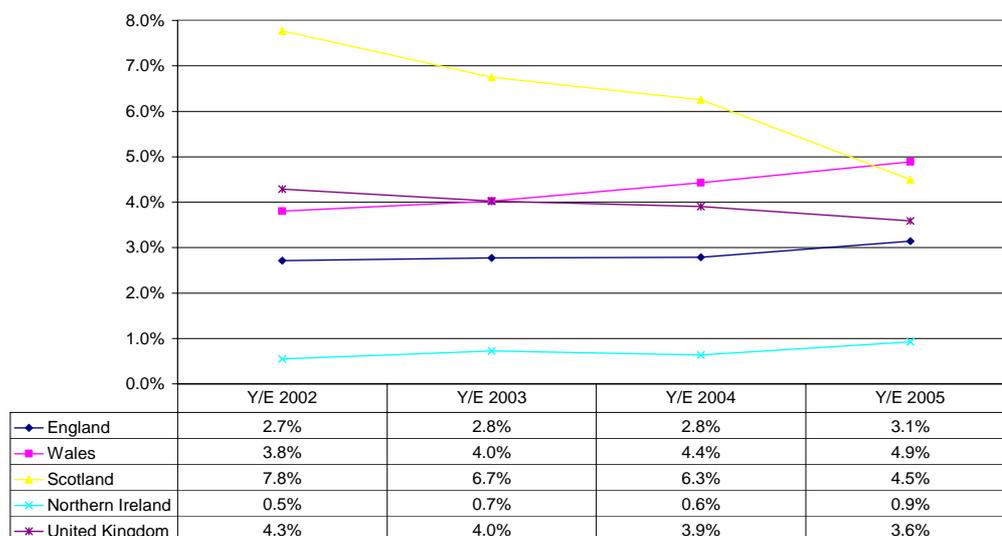
Following the very large expansion of UK organic production in 1999/2000, with subsequent over supply problems in some sectors, growth in the land area under organic management slowed. In Scotland, where large areas of moorland had been converted prior to the introduction of a requirement for organic livestock management, much of this extensive land was subsequently withdrawn, leading to a substantial decline in the Scottish organic land area and consequently the UK total. All other parts of the UK experienced continued, if slow, growth, with growth in Wales faster than elsewhere.

UK organic and in-conversion land area



Source: Defra (2006)

Organic and in-conversion land as proportion of total land area
(excluding common land)



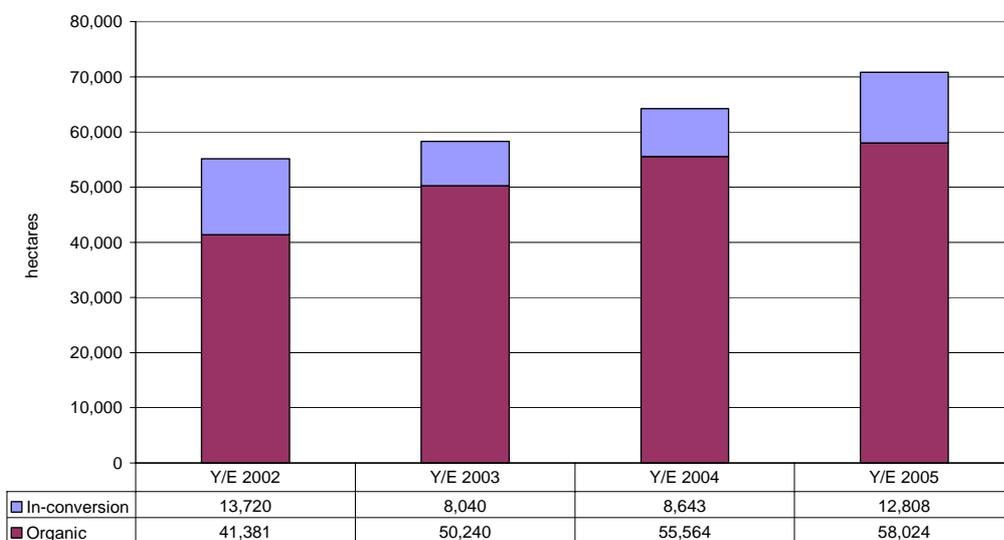
Y/E=year ending - values published typically as January following year

Source: Defra (2006)

In terms of proportion of the total agricultural area, Wales has overtaken the other parts of the UK, reaching 5% by the end of 2005. While significantly short of the original action plan target of 10% by 2005, this is a significant increase on the 0.3% in 1998 (120 holdings, 5331 ha) and well ahead of the English average of 3.1%.

The slow down in conversion rates in Wales can be seen with respect to the years ending 2003 and 2004. There were signs of renewed interest in conversion in 2005, as a result of improving market conditions and the final implementation of the single farm payment. Although statistical data are not yet available for the year ending 2006, evidence from the Organic Conversion Information Service and reports from the organic certification bodies indicate a significant expansion in 2006, due to strong market demand, though this may have slowed in 2007 due to the temporary suspension of the Organic Farming Scheme in Wales.

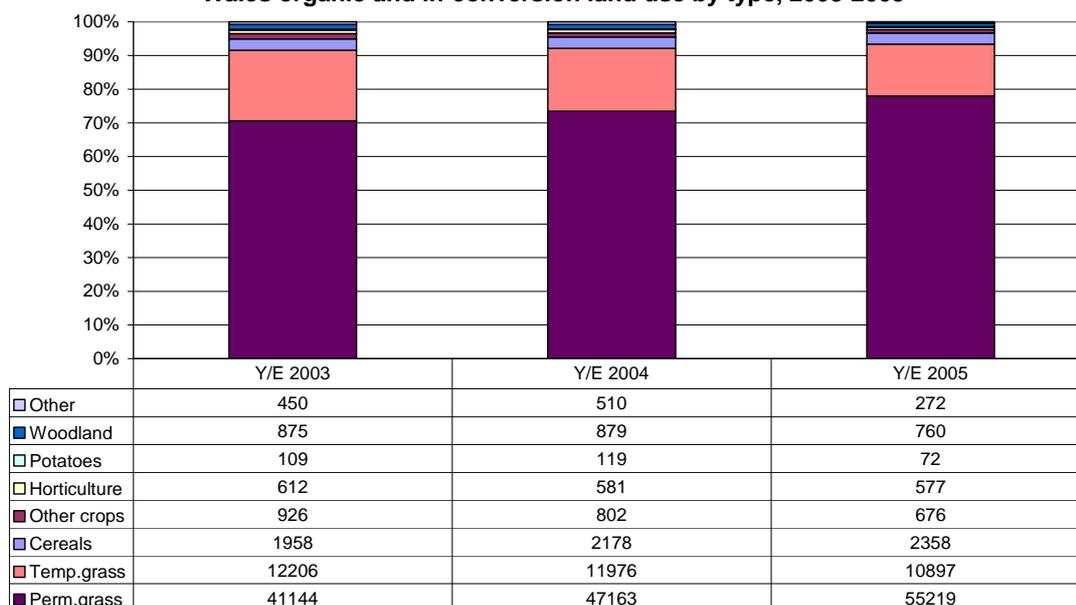
Wales organic and in conversion land area



Y/E=year ending - values published typically as January following year

Source: Defra (2006)

Wales organic and in-conversion land use by type, 2003-2005



Y/E=year ending - values published typically as January following year

Source: Defra (2006)

The Welsh organic and in-conversion land area is dominated (more than 90%) by temporary and permanent grassland, with arable and horticultural cropping accounting for around 5%. The main types of land use have shown continued growth, although there has been a slight decline in horticulture, woodland and other crops.

Compared with overall Welsh agricultural land use, cereals, temporary grass and especially horticulture are over-represented on organic holdings, although the horticulture data should be treated with caution due to the possible inclusion of crops not intended for human consumption (see Hitchings et al., 2007). The Welsh organic share is significantly higher than the UK organic share of total agriculture in most cases.

Organic share of total agricultural areas by main crop, Wales and UK, 2005

	<i>Welsh organic (ha)</i>	<i>All Wales (thousand ha)</i>	<i>Organic share</i>		<i>UK organic (ha)</i>	<i>All UK (million ha)</i>	<i>Organic share</i>
Cereals	2358	41.5	5.7%		47694	2.9	1.6%
Other arable	676	20.9	3.2%		14531	1.2	1.2%
Potatoes	72	2.2	3.3%		2025	0.1	1.5%
Horticulture	577	1.2	48.7%		14196	0.2	8.4%
Total tillage	3683	65.7	5.6%		78446	4.6	1.7%
Temp grass	10897	115.1	9.5%		97907	1.2	8.2%
Arable land	14580	180.8	8.1%		158414	5.8	3.1%
Perm. grass	55219	1203.1	4.6%		428330	10.1	4.3%
Wood/other	1032	64.7	1.6%		15169	1.4	1.1%
Total	70832	1448.7	4.9%		619852	17.3	3.6%

Excluding common land

Source: Defra (2007); *Welsh and UK agricultural statistics*

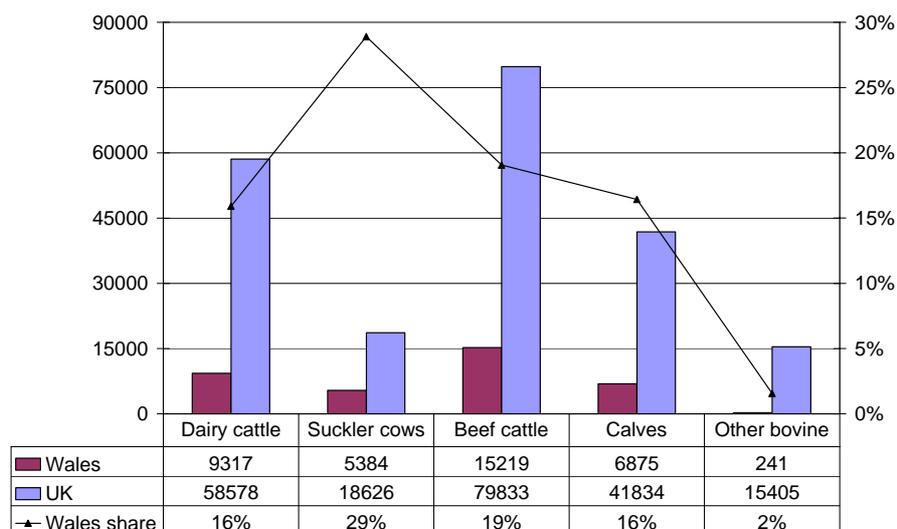
2.3 Number of organic livestock in Wales and UK

Organic cattle and sheep numbers have increased steadily in most parts of the UK between 2003 and 2005 (see next page), indicating relatively stable market conditions over the period. However, despite growth in England, pig numbers in Scotland have declined sharply, and are low and static in other parts of the UK. Poultry numbers have increased steadily in England and Northern Ireland, but remain low and static in Wales and Scotland, although most of the increase in England is due to an increase in laying hens.

Within Wales, cattle and sheep are by far the most important livestock types. The Defra (2007) data show marked unexplained variations between years that may be a reflection of classification errors in the early stages of establishing the data collection system, so only year ending 2005 data are shown here. Wales accounts for a relatively high proportion of suckler cows, and a very high proportion of the UK organic sheep population, when compared with a 12% share of UK organic land and a 16% share of UK organic holdings.

As with land area, Wales has a higher organic share of total livestock numbers than the UK, with 3.5% of all dairy cows and ca. 2.5% of other cattle and sheep. The average size of Welsh organic dairy herds is also higher than the overall average.

Organic and in-conversion cattle numbers by type, Wales and UK, Y/E 2005



Source: Defra (2007)

Organic and in-conversion sheep numbers by type, Wales and UK, Y/E 2005



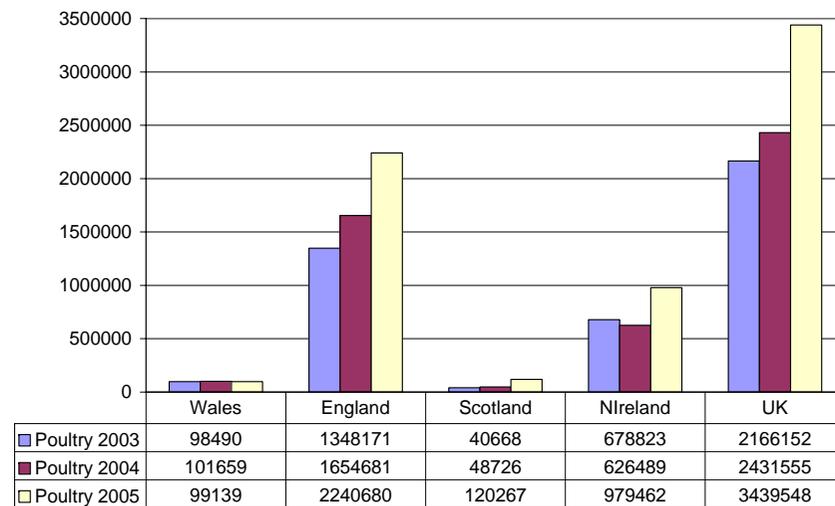
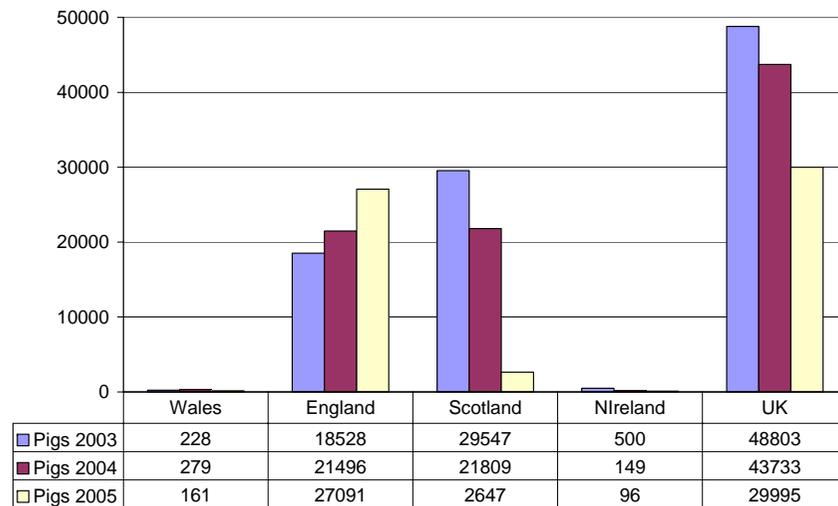
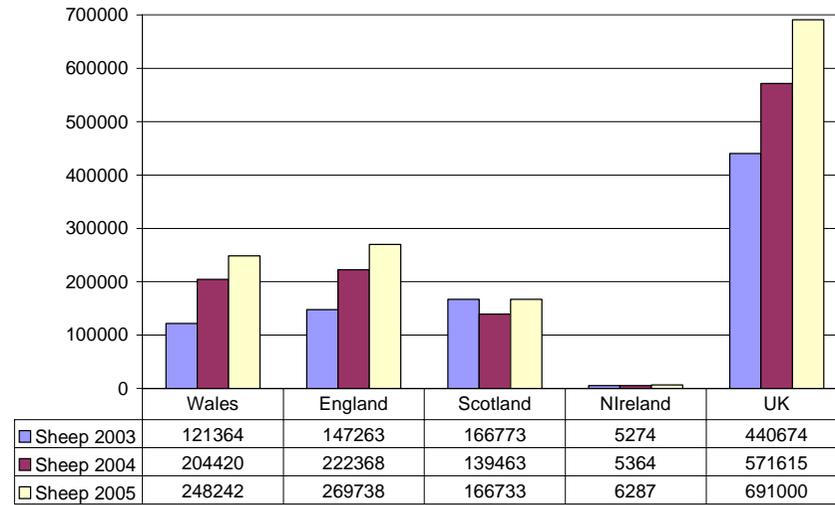
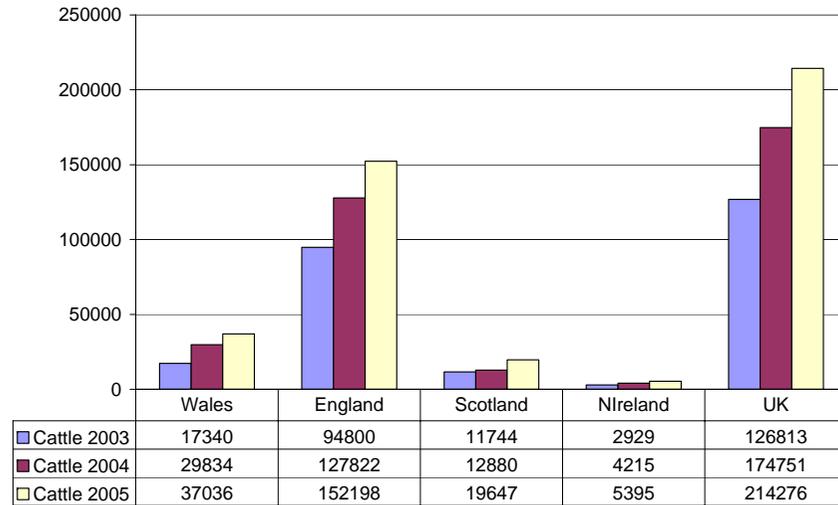
Source: Defra (2007)

Organic share of total agricultural areas by main crop, Wales and UK, 2005

	Welsh organic	All Wales (thousand)	Organic share	UK organic	All UK (million)	Organic share
Dairy cows	9317	264.4	3.5%	58578	2.1	2.8%
Herd size	86	75	115.0%			
Beef cows	5384	220.7	2.4%	18626	1.8	1.1%
All cattle	37036	1240.8	3.0%	214276	10.4	2.1%
Sheep/lambs	248242	9510.4	2.6%	691000	35.4	2.0%
Pigs	161	3.9	4.1%	29995	4.9	0.6%
Poultry	99139	7191.8	1.4%	3439548	173.9	2.0%

Source: Defra (2007); Welsh and UK agricultural statistics

Organic and in-conversion livestock numbers, UK, 2003-2005



Y/E=year ending - values published typically as January following year
 Source: Defra (2007)

2.4 Numbers of animals finished/slaughtered in Wales and UK

The livestock numbers presented in the previous section do not provide a guide to the number of animals of each type finished or slaughtered annually. Soil Association (2006) estimates for UK production are:

Year ending	2003*	2004	2005
Beef	18,500	19,284	27,358
Lamb	150,000	158,912	205,238
Pork	50,000	47,000	56,487
Table birds	4,250,000	5,744,804	8,905,785

* March 2004

Source: SA (2006)

The SA figures for lamb look low when compared with the Defra value for 'other sheep' on organic farms of just over 400,000 in 2005, but this may reflect a significant proportion of stores and light lambs not being marketed or slaughtered as organic, or may also be due to data errors because the Defra figures do not reflect annual throughput, but numbers on individual holdings on the date they were inspected. (This is certainly the case for table birds.)

There are no published output estimates for Wales, and it has been difficult to obtain reliable values from the sector. Based on the Welsh share of UK organic holdings and land, then a very rough estimate of 2005 numbers, derived from the SA (2006) data and assuming proportional distribution of holding types, would be:

Year ending	2005
Beef	3000-4000
Lamb	20,000-30,000
Pork	6000-8000
Table birds	900-1,330,000

Source: own estimates derived from SA (2006)

These estimates are consistent with the (also very rough) grossing up estimates based on the IRS survey (see Section 2.9). The data for table birds obtained from the IRS survey likely to be closer to the actual levels, so a different grossing up factor has been applied. The pork numbers are clearly too high relative to the numbers from certification data (Defra, 2007), with 1000 a more likely estimate.

Year ending	2006
Beef	4000
Lamb/mutton	25000
Pork	6000
Table birds	700,000

Source: own estimates based on IRS (2007) survey results

However, if the Welsh proportions of UK livestock numbers (19% of beef cattle and 28% of other sheep) are used as guide to allocate the SA (2006) figures, then a higher estimate of 5,000 beef cattle and 57,000 lambs may be derived. This would represent about one third of the organic beef cattle and about half of the other sheep on Welsh farms, so the actual figures of potentially available lamb and beef, including stock still in conversion or currently not marketed as organic could be higher still, and may be as high as 8,000 cattle and 100,000 lambs.

The current uncertainties about the scale of output from Welsh farms is a reflection of the developing state of the organic sector and the need for further work to bring statistics into line with those available for the conventional sector. This is not just an issue about understanding market demand, but also relates to the public interest in ensuring that certification and traceability procedures are working correctly, and that investment of public funds in the organic sector is targeted effectively.

2.5 UK organic beef production, imports and sales

MLC estimates domestic UK organic beef production in 2005 to be 8500 tonnes (RMIF, 2006), but with only 7,000 t (carcase weight equivalent) marketed as organic, representing 1.1% of total UK beef consumption. The values for 2006 were expected to be 15-20% higher. The forecasts for 2010 imply a doubling in current production levels will be required.

UK organic beef market in 2005 and 2010 ('000 t carcase weight equivalent)

Consumption through	Major retailers	Others*	Total
Total 2005 estimate	7 (10-12)	4	11
of which domestic	4	3	7
of which imports	3	1	4
Total 2010 forecast	10-12	7-9	17-21

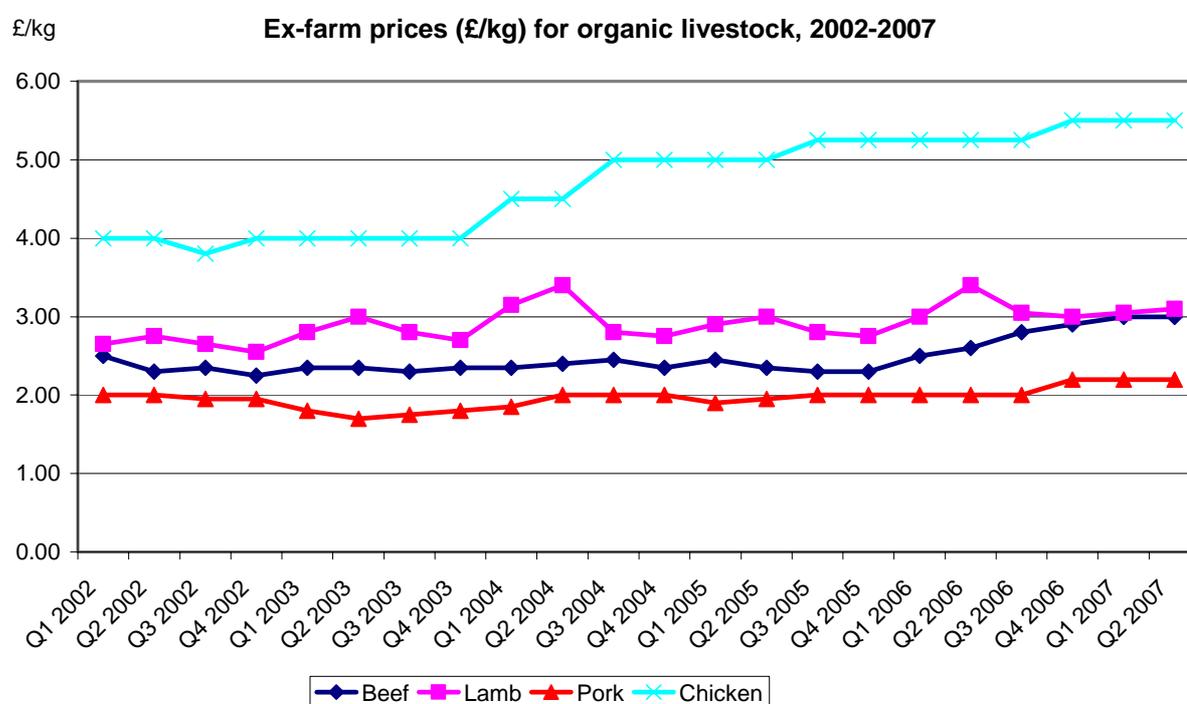
*small retail, direct sales, food service etc.

Source: RMIF (2006)

Industry sources indicate that while there is currently an excess of demand leading to strong prices for organic beef and lamb, the current increases in domestic supply will lead to the gap closing in the foreseeable future. This has been hastened by the restarting of Argentinian and other beef imports by Tesco.

2.6 Organic farm gate and retail prices

Ex-farm prices for finished organic livestock have remained relatively stable in recent years, with an increasing trend in the last 12-18 months reflecting the improved market demand conditions. It should be noted that the poultry prices in particular reflect producer-processor prices selling into smaller scale specialist or direct sale markets. Prices achieved by large scale poultry producers supplying multiple retailers will be lower than this.



Source: Organic Farming magazine (Soil Association; Quarterly, 2002-2007)

The Tesco retail prices shown below indicate the heavy emphasis on better cuts, some of which achieve a substantial premium. This emphasis on better cuts does pose a challenge for marketing the remainder of the carcase, which in turn holds down the ex-farm prices for livestock. For poultry, a significant factor is also the higher ex-farm cost of chickens due to high feed prices, although non-organic, free-range poultry also achieve a significant premium.

Retail prices for organic meat (Tesco, £/kg, June 2007)

<i>Product (own label)</i>	<i>Organic</i>	<i>Non-organic</i>	<i>Premium</i>
Lamb mince	£6.48	£3.92	65%
Lamb chops	£12.98	£10.97	18%
Lamb leg steaks	£11.00	£11.20	-2%
Lamb half leg	£8.28	£5.48	51%
Lamb half shoulder	£5.28	£3.69	43%
Beef mince	£3.50	£2.88	22%
Beef roasting joint	£7.12	£4.86	47%
Beef rump steak	£11.64	£9.98	17%
Beef ribeye steak	£14.48	£12.49	16%
Beef sirloin steak	£14.74	£11.87	24%
Beef fillet steak	£21.94	£18.02	22%
Chicken drumsticks	£5.29	£2.49	112%
Chicken breast fillets	£13.99	£8.99 (free range £12.49)	56%
Chicken thigh fillets	£10.39	£3.29	216%
Chicken whole	£4.23	£1.94 (free range £3.39)	118%

Source: Tesco Pricecheck (all prices listed were collected between 04 June 2007 and 06 June 2007)

The price differentials between organic and non-organic at retail level, when compared with the farm-gate price differential, may indicate some potential for improvement in producer prices, but this very much depends on the supply-demand balance (including imports), the ability of producers to negotiate from a position of strength, and for effective carcass utilisation so that not only the more expensive cuts are sold as organic.

2.7 *Production costs and net margins for Welsh organic beef and lamb*

Production costs and net margins for Welsh organic beef and lamb have been published by Organic Centre Wales based on the Farming Connect funded organic benchmarking project (OCW, 2006, 2007; Frost *et al.* (2007)). These are summarised on the next page. Further information on organic farm incomes and enterprise performance can be obtained from the Defra-funded organic farm incomes project (Jackson and Lampkin, 2006), the *2007 Organic Farm Management Handbook* (Lampkin *et al.*, 2006) and RMIF (2006).

Comparison of the OCW results for 2004/5 and 2005/6 with results published by the Welsh Farm Business Survey (FBS, 2006, 2007) show that variable costs of production per kg LW for beef suckler calves and beef finishing are similar for organic and non-organic holdings, but lower for organic lamb production. Lower feed costs and significantly lower forage costs are balanced by higher other variable costs on the organic farms. There was little change in variable costs between the two years.

Fixed costs, however, are significantly higher for organic beef and lamb, reflecting lower stocking rates, and possibly smaller farm or flock/herd sizes. Both of these factors would reduce ability to spread overhead costs, resulting in higher per kg costs. This would also explain the contrast with the farm income data (Jackson and Lampkin, 2006), where fixed costs per farm and per hectare are similar when organic and similar conventional holdings are compared.

In 2004/5, organic premium prices were able to compensate for the higher total costs in some cases to give similar or better than conventional net margins over sales and production subsidies. In 2005, production subsidies were replaced by the single farm payment, which is shown separately and explains most of the fall in these net margin values in 2005/6 compared with 2004/5. Without production subsidies, all enterprises, organic and conventional, are showing a negative net margin, i.e current prices (organic or otherwise) are below the costs of production.

This net margin value does not however include the value of the farmers' own land, labour and capital resources supplied to the business, meaning that farmers who rent land, borrow capital or pay all the labour will have much higher costs of production than those who don't. To account for this, imputed costs have been estimated for the organic sample. Comparable data is not available for the Welsh FBS sample (although imputed costs are now also published by Eblex for England). The net margins including imputed costs show a significant loss per kg for all enterprises, which is likely to be the case for all Welsh farms (as it is in England).

To an extent, the negative margins resulting from lower-than-production-cost prices and imputed costs can be offset by other miscellaneous income, Tir Mynydd, Organic Farming Scheme and other agri-environment payments, as well as the Single Farm Payment. But given the political pressure to reduce the Tir Mynydd and Single Farm Payments, and the theoretical desirability of using this income to support the development of the farm as a whole, rather than cross-subsidise loss making enterprises, there is a real challenge to be faced by both organic and non-organic producers.

Welsh organic and conventional beef and lamb production costs and net margins (p/kg LW), 2004/5 and 2005/6

Year Production system	Suckler calves				Beef finishing				Lamb			
	2004/5		2005/6		2004/5		2005/6		2004/5		2005/6	
	Organic	FBS	Organic	FBS	Organic	FBS	Organic	FBS	Organic	FBS	Organic	FBS
Holdings (n)	36	42	29	41	33	20	32	22	37	92	33	92
Feeds	12	16	13	12	28	30	24	26	16	23	18	21
Vet & meds	9	9	7	9	4	3	5	3	8	7	7	7
Forage	16	24	16	25	10	23	11	21	9	16	10	17
Other variable	20	13	17	11	17	12	18	12	12	9	8	11
Herd replacement	10	10	14	14	--	--	--	--	17	15	15	14
<i>Total variable costs</i>	66	72	68	71	59	67	58	62	62	68	58	70
Labour	13	5	17	8	8	5	13	5	9	4	14	4
Power and machinery	65	45	70	42	41	30	48	33	35	27	36	27
Land and buildings	19	14	30	15	12	10	20	16	9	10	15	11
General farm costs	41	20	39	19	25	14	30	16	19	14	20	12
Rent and finance	24	14	27	14	13	6	17	8	14	11	13	10
<i>Total fixed costs</i>	160	98	183	98	97	64	128	78	86	66	97	63
Total costs	227	170	251	169	156	131	186	139	148	134	156	133
Sales & production subsidies	194	185	111	98	223	152	137	96	181	163	124	113
Net margin on sales/subsidies	-33	15	-140	-71	67	21	-49	-43	33	29	-32	-20
Imputed land, labour, capital costs	217	n/a	199	n/a	132	n/a	142	n/a	120	n/a	95	n/a
Net margin incl. imputed costs	-250	n/a	-339	n/a	-65	n/a	-191	n/a	-87	n/a	-127	n/a
Misc revenue and by-products	21	n/a	25	n/a	13	n/a	16	n/a	12	n/a	13	n/a
Tir Mynydd, OFS, agri-environment	69	n/a	82	n/a	39	n/a	53	n/a	45	n/a	42	n/a
Single farm payment	--	n/a	104	n/a	--	n/a	68	n/a	--	n/a	53	n/a
Net margin incl. other income	-160	n/a	-128	n/a	-13	n/a	-54	n/a	-30	n/a	-19	n/a

Column totals may add up differently due to rounding

Production subsidies replaced by Single Farm Payment in 2005/6

Sources: OCW (2006, 2007); FBS (2006, 2007)

2.8 Marketing channels for Welsh organic livestock

The main Welsh companies trading in organic meat are identified in the Annex. Meat producers selling directly to consumers are also featured in the OCW Local Organic Food Guide (2006/7).

2.8.1 Supplying multiple retailers

Significant demand for organic beef and lamb exists from all major retailers, although most are reluctant to differentiate Welsh organic product as a niche within a niche.

The largest supplier of multiple retailers with (undifferentiated) Welsh product is the Graig Farm Producer Group, working through the major abattoirs, in particular St Merryn, supplying Tesco with lamb and beef and Dunbia (Oriol Jones) and ABP supplying Sainsbury's with lamb and beef respectively. Livestock Marketing maintains a group of organic producers which markets beef and lamb through Waitrose. Cambrian Organics, originally established as a producer co-operative but now trading as Cambrian Hills Co., sells branded product through supermarkets, including the Co-op.

Key issues in marketing through multiple retailers remain the sensitive issues of price negotiations and securing minimum prices that cover production costs, and the threat of imports, especially beef from Argentina and elsewhere in South America. (Apart from lower production costs in Argentina (30% of UK levels), there is some evidence that standards are weaker in some areas, in particular the use of vaccines and wormers (EFRC, 2006), but Argentinian domestic policy constraints have led, and may lead in future, to exports being switched off, so this leaves a high degree of uncertainty about imports). Collaboration in producer groups can help ensure a stronger price negotiating position when dealing with multiple retailers (see below), but there is also a need for multiple retailers to work with government agencies and organic sector businesses in order to invest in the development of UK production, rather than going for the perceived easy option of imports.

2.8.2 Supplying other outlets

A small but significant proportion of Welsh organic meat is marketed outside the multiple retailers, through small retailers, farm shops, farmers markets, hospitality catering and internet sales. Examples of the latter include Face of Flowers and Graig Farm Organics, but a fuller list is contained in the Annex and the OCW Local Organic Guide.

Public procurement is also a potential alternative market, but (unlike dairy products) organic meat has made few inroads, in part due to the success of HCC in securing local (non-organic) sourcing for hospitals and schools. However, with demand relatively high and supplies short, there is currently little enthusiasm for engaging with this channel at prices that would be lower than can be achieved elsewhere.

In the Bassett (2003) review, store sales were seen as a particular problem. In the intervening period, the situation appears to have improved, with markets also available for cull stock, and renewed interest in the potential for organic beef from dairy crosses. However, there remains an ongoing problem with the marketing of hill/mountain lamb, where no multiple retailer market exists. Some producers have developed a specialist market for mutton, but there may also be scope in developing export markets for light lambs, especially in Mediterranean countries where there has been some success re-establishing markets for Welsh lamb and there is growing domestic demand for organic food.

2.8.3 The role of producer groups

Producer groups, whether as formal co-operatives or looser arrangements, have played an important role in the development of the Welsh organic meat sector. This was emphasised in the 2003 review (Bassett, 2003).

The Organic Strategy Group (OSG) has discussed the value of producer collaboration in marketing of organic products, in particular to multiple retailers, and recognised the leading role played in Wales by groups such as Graig Farm Producers, Cambrian Organics, Organic Milk Suppliers Co-operative and Calon Wen in this context.

The Organic Strategy Group reaffirms the case for special emphasis on and support for producer groups made in the 2nd Welsh Organic Action Plan, specifically:

- In the context of supply chain development (p17): 'By grouping together, producers can have access to greater markets and increase their ability to secure fair prices.
- Recommendation 34: The OSG, working with the WDA and key businesses, should develop strategic objectives for the main organic sectors by mid 2005. Initiatives to develop co-operative marketing should be encouraged as part of these strategies.
- Recommendation 35: WDA and WAG support for producer marketing groups should be maintained, with support for promotional activities within the context of the agreed strategic market development plan and the relevant state aid guidelines for the sector.

In recognition of this, the Organic Strategy Group recommended that:

- (i) Producers should always consider the potential benefits offered by producer marketing groups, particularly when dealing with multiple retailers
- (ii) Organic Centre Wales and other agencies providing support to the organic sector in Wales should give appropriate emphasis to supporting the work of producer marketing groups.
- (iii) WAG should ensure that provisions in the EU rural development and other regulations to support the activities of producer marketing groups are fully implemented and adequately resourced, with the allocation of funding to specific projects taking account of the overall development needs of each sector.

Organic Centre Wales undertook to support this activity by:

- (i) providing space on the website to highlight the agreed OSG position and the work of producer marketing groups specialising in organic products
- (ii) including in the e-bulletins, particularly in the sections relating to business-to-business adverts, a short statement based on the above highlighting the importance of producer marketing groups
- (iii) continuing to support the involvement of producer marketing groups in benchmarking projects and other OCW activities
- (iv) continuing to provide space for producer marketing groups at OCW events, shows etc.
- (v) considering other suggestions for information-related activities to support the work of producer marketing groups.

2.8.4 Review of the 2003 'Organic red meat development in Wales' recommendations

Bassett (2003) made several recommendations for the development of the organic meat and livestock sector:

- All producer groups should link in with the existing national Federation of Organic Livestock Marketing Groups.
- Existing red meat marketing structures and models should be built on.
- There should be increased communication between producer groups, strategy makers and public bodies to ensure that development funding is directed to the benefit of the red meat supply chain as a whole, not just one sector or marketing group at the possible expense of another.
- The development of Welsh organic branding and the support of existing brands should be addressed, with Welsh branding focused on Welsh markets.
- Both direct sales and sales through multiple retailers should be developed, with appropriate training for producers marketing directly.
- Public procurement initiatives should be strengthened.
- Licensing procedures for butchers, caterers, pubs, restaurants etc. need to be addressed.
- Consumer education needs to be expanded in order for consumers to appreciate the benefits of buying organic produce and understand the reasons for organic prices.
- Conflict between slower maturing breeds and the over 30-month scheme needed to be addressed.
- Improve producer training for stock grading and quality assessment.
- Continue and expand benchmarking work.
- Need to address seasonality of production to ensure continuity of supply.
- Need for additional organic slaughtering and independent processing capacity in Wales.
- Introduce maintenance payments to support organic producers and take steps to avoid negative impacts of single farm payment introduction.

Some of these were integrated into the second Welsh organic action plan and/or have at least been partly addressed (e.g maintenance payments, benchmarking and processing facilities), but others remain relevant today. The most important of these have been picked up in the conclusions and recommendations (Section 4).

2.9 Perspectives on current and future developments for smaller-scale suppliers

The results presented in this section were obtained as part of a telephone survey of Welsh organic processors/producers conducted by the Institute of Rural Sciences, University of Wales, Aberystwyth. Overall, response rates were good, with nine companies participating, but the largest producer group/trader opted not to take part so the results only reflect a small proportion of the sector, except in the case of poultry. As this producer group dominates trade with multiple retailers, this important retail sector is also not reflected in the responses. Therefore this section can only be seen as an assessment of alternative retail outlets from the perspective of smaller scale suppliers.

2.9.1 Demand for Welsh organic livestock products

Respondents were asked to identify areas of strong and or weak demand for products, and to identify opportunities or threats to their business, and the organic sector in general.

Typically, most businesses identified strong demand for their organic products:

- *Sales doubled in last year.*
- *Customers trust the traceability of organic meat.*

However, one producer had cut back on organic meat having found that:

- *“Locally” produced meat is cheaper and perceived to be nearly as good.*

Weak demand was identified for products such as chicken and old season lamb, mainly due to price:

- *Organic chicken expensive due to wholesaler purchased, and higher feed costs.*
- *Lower chicken sales due to unreliable supplies.*

Most participants had business expansion opportunities:

- *We’re trying to double throughput in 12 months.*
- *We will be 50-100% larger in 3 years, and have invested in new facilities to continue expanding.*

The following threats to their businesses were identified:

- *A shortage of organic cereals and feed that is already pushing livestock prices up – feed costs up by 50% this year.*
- *A shortage of trained butchers.*
- *Government and EU red tape, threatening local abattoirs.*

2.9.2 Supplies of Welsh organic livestock products

Survey respondents were asked about livestock supplies, in terms of strong and weak supply, and opportunities and threats to that supply chain.

- *Lamb and mutton in good supply, though mountain lamb very seasonal.*

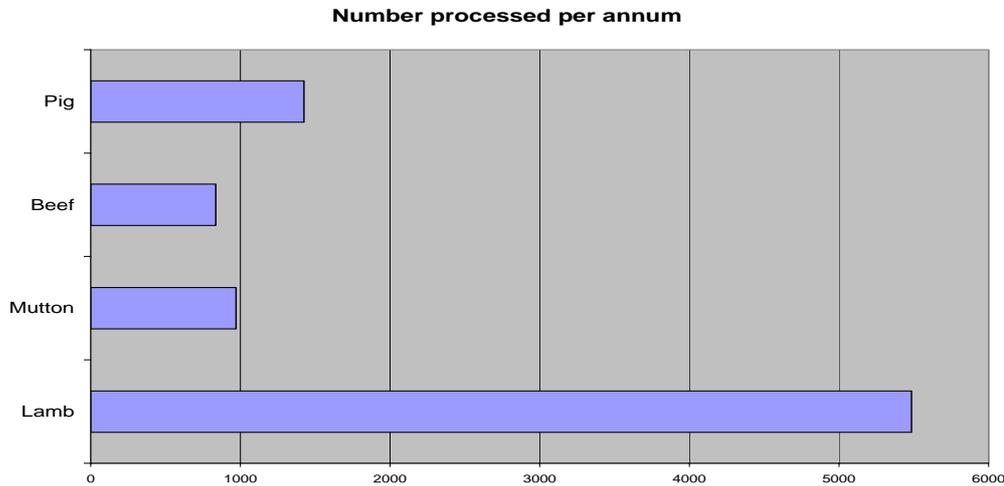
A number of suppliers noted that:

- *Pork in very weak supply.*
- *Pork and beef, particularly Welsh Black beef, in demand.*
- *Customers always phoning for more chicken.*

Opportunities for greater pig, chicken and beef numbers seem to exist though threats to the organic livestock industry were identified:

- *Lack of organic positive organic marketing attitude in Wales, particularly from auctioneers.*
- *Higher feed costs reducing livestock margins, or increasing prices, possibly reducing market size.*

Survey participants were asked to supply processed livestock numbers were possible:

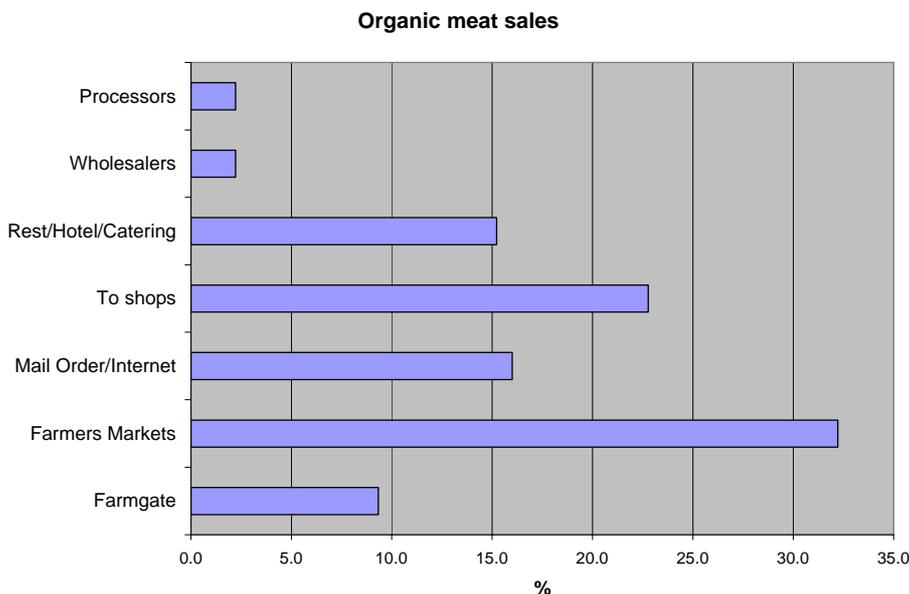


However, the non-participation of the largest producer group in Wales, with a claimed 75% of Welsh supply sold through this group, did not participate in this survey, so the results represent a significant understatement of current supply. (See also supply estimates in section 2.4).

In addition, respondents reported in excess of 600,000 chickens and 28,000 turkeys processed.

2.9.3 Marketing channels for Welsh organic meat

Processors were asked to identify the main markets they sell their produce through. Farmers' markets are the primary choice for the smaller producers. (As indicated above, the main group supplying multiple retailers did not participate in the survey).



This however takes no account of sales value variance between businesses. The larger companies identified the following growth areas:

- *The internet is a rapidly expanding market.*
- *Supermarket sales growing fast.*
- *Baby food manufacturers requiring organic ingredients*

The market is diverse and ranges from farmers processing their own meat for sale at farmer’s markets and a few shops and restaurants, through to supermarket and food processor suppliers.

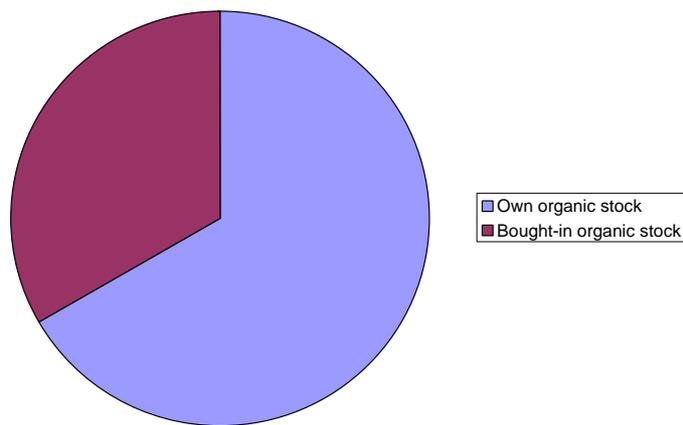
- *We have cut back livestock numbers to maximise our returns, by only selling direct.*
- *Supermarkets sales are increasing, especially now they are branding products with our farm.*

Most participants only sell/process organic livestock, and are happy to do so, but one processor identified competition for the organic sector:

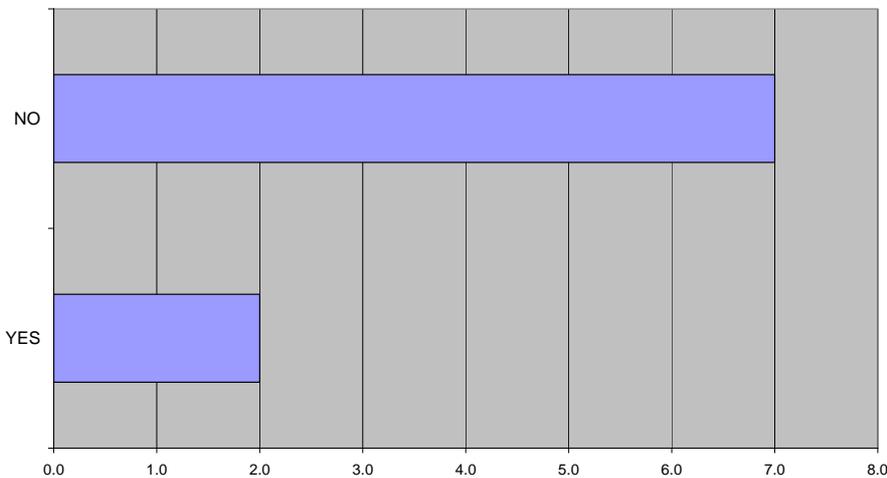
- *Conventional meat sales marketed as “locally produced”, taking sales from more expensive organic produce. Demand for “local” meat greater than organic, leading to lower organic sales.*

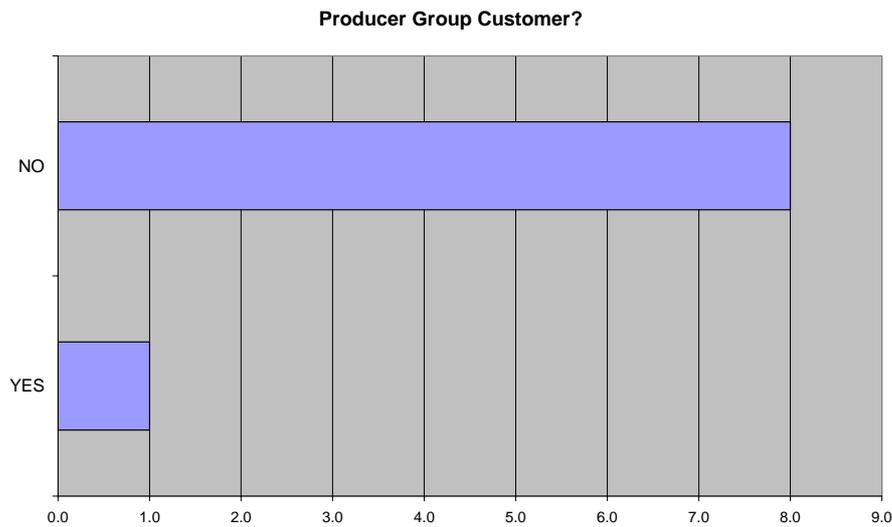
Processors were asked whether they were just processing their own meat or buying in significant numbers of organic livestock. Some utilised producer groups, whilst others felt there was no need.

Source of Livestock

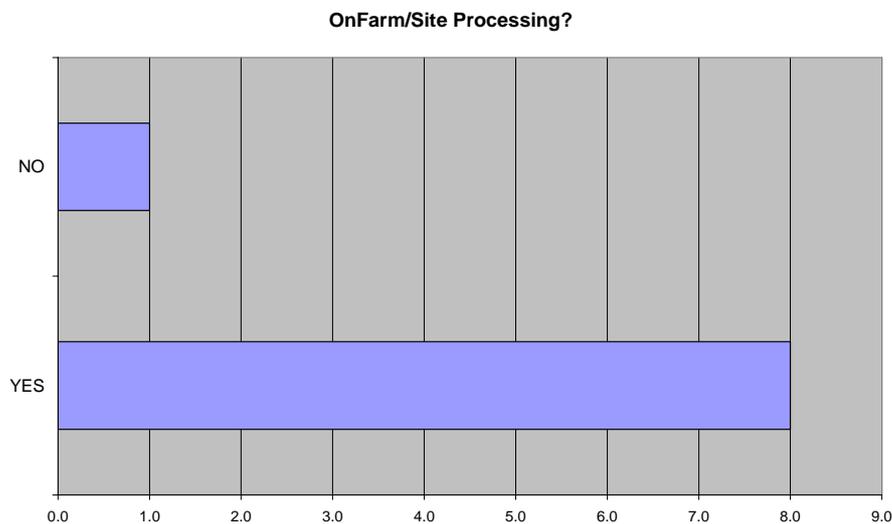


Producer Group member?





Respondents were asked whether they carried out all meat processing on site, or received the meat pre-packed.



Only one of the producers had all their meat processed off-farm, with an additional producer purchasing pre-processed meat from the border area, to complement their own produce.

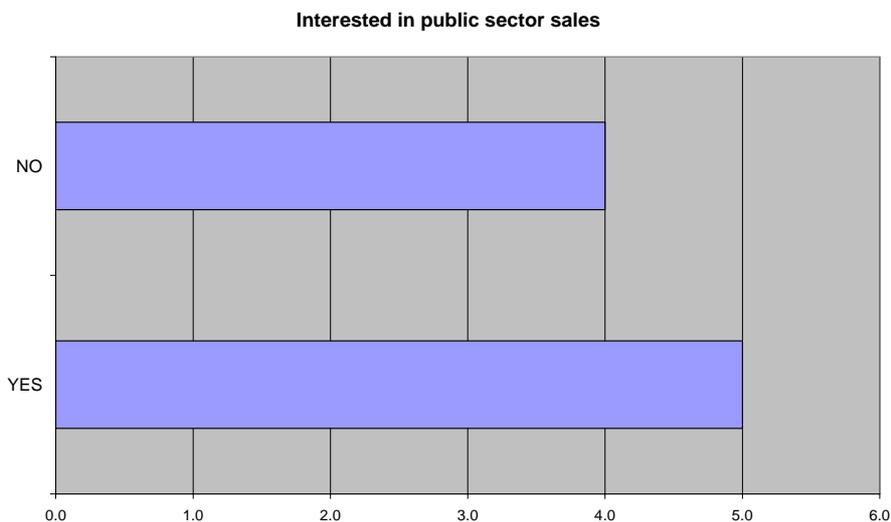
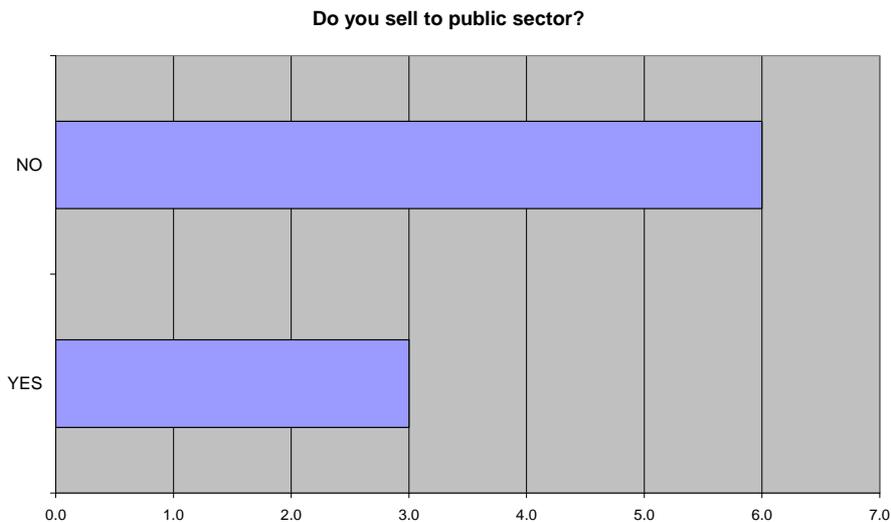
Four of the survey participants indicated that there was a shortage of organic licensed abattoirs in Wales, though some of the participants felt there wasn't a problem, at least locally to them:

- *Processors either have to slaughter on farm or use a very large abattoir, often a considerable distance from the farm, there are very few small abattoirs.*
- *We have a special license to use a local non-organic abattoir, as the closest licensed one is 70 miles away.*

None of the survey contributors felt there was a problem with light weight hill lambs, and some commented that they sold well. The main problem with lamb sales are:

- *Seasonality of lamb production, results in a shortage of early spring lamb, which causes lamb to be very expensive.*
- *Possible over supply of lamb in the autumn.*

There have been increasing attempts to encourage public bodies to locally procure food products including organic, and the survey asked respondents whether they had or wished to take advantage of this market.

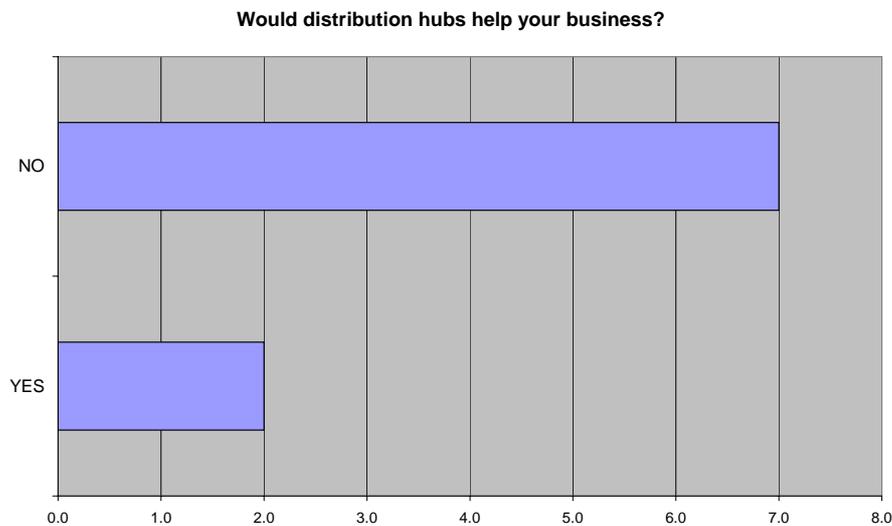


2.9.4 Options to support future development of the sector

When asked how Welsh Assembly Government and other public bodies could provide further assistance to help their business, respondents gave a variety of responses.

- *Help young farmers.*
- *Single Farm Payment historical system causes low payments to farms with low stock numbers during qualifying period years, not linked to current stock numbers.*
- *Marketing assistance required to promote welsh organic produce.*
- *Grants for expansion and training of staff, particularly butchery training.*
- *Provide meetings for public bodies to enable public body customers to meet and discuss with producers.*
- *Provide export assistance, with advice on logistics and certification required by foreign buyers.*

Distribution hubs, set up to serve a number of smaller producers, have been suggested as a way of moving high quality goods from rural Wales to more affluent areas. However, only two respondents felt this had any merit, with most happy with their own logistical set up.



Some of the survey participants would like to take part in Biofach 2008, mainly as a possible route into the export market. Only the largest businesses were interested, with the smaller businesses happy to concentrate on expansion within the domestic market.

When asked about other issues affecting their business, respondents had a variety of responses:

- *Certification should focus on the method of production, not the product itself, and trade (processing, distribution, retailing) should reflect the self-renewing ethos of organic production.*
- *Better supply routes to more affluent areas are needed, as Wales is sparsely populated and poor.*
- *There is a lack of trained staff and butchers.*
- *Exports very difficult, due to logistics and licenses.*
- *A business has to be very big to supply trade customers.*
- *No local abattoirs due to high costs of meat hygiene service.*
- *Producers are too quiet about the benefits of organic farming.*

3 The demand situation for Welsh organic meat

3.1 Introduction

The demand-side review in this section was produced by the Meat and Livestock Commission working on behalf of Hybu Cig Cymru (Meat Promotion Wales). The main purpose of this review is to:

- Review the current performance of the retail organic market within Great Britain and Wales with a specific focus on organic red meat.
- Provide an update to the report “Organic food: Understanding the consumer and increasing sales” commissioned by the Soil Association and supported by the Welsh Development Agency and the Organic Centre Wales, published in 2003 and to build on the recently published “The UK market for organic beef” produced by the Red Meat Industry Forum (RMIF).

The data used in this report is from TNS Worldpanel™, a panel of 25,000 households who record all food and drink purchases that are taken back into the home. The panel is representative of the GB population both demographically and geographically and sales are weighted to represent the total GB population.

There are a number of terms within the report, which may need further explanation.

- **Penetration:** This represents the percentage of the total number of households in Great Britain or defined region/country.
- **Frequency:** The total number of times a household purchases a particular product group or product in a year.
- **AWP spend:** Average weight of purchase: this can be either the total volume a household, which purchases that product, buys in a year or the total amount spent in a year. In this report AWP always refers to the total amount spent.
- **Trip spend:** The average amount a household who purchases that product spends each time they purchase. Trip spend can be calculated by dividing the £ AWP by the frequency of purchase.
- **Demographics:** Demographics have been looked at in a number of ways. We have used the standard demographics of social class AB, C1, C2, D, E, Housewife age (this is defined by the age of the main shopper in the family and can be male or female), number of people in household and whether the household has children or not. We have also used some further groupings of “Life stage” these are:

Single elderly

Older post family

Young post family

Older family

Young family

Pre-family

All of the individual groupings are separate and represent the total number of households.

- **Heavy, medium and light buyers:** These are based on the average weight of purchase (£ spend)

<i>Heavy buyers:</i>	<i>The top 20% of average spend</i>
<i>Medium buyers:</i>	<i>The next 30% of average spend</i>
<i>Light buyers:</i>	<i>The bottom 50% of average spend</i>

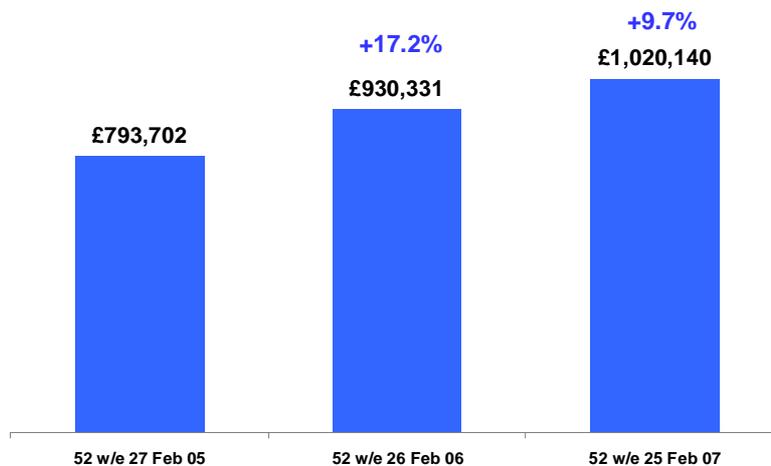
- **Regional analysis:** The regional analysis has been done on BARB regions, which groups Wales and the West together.
- **Wales:** The Welsh section of the report has been restricted to households in Wales only.

3.2 *The UK market for organic food*

3.2.1 **Organic market growth**

Based on the TNS data, the overall organic market is currently worth over £1 billion and grew by over 17% in 2005 and a further 9.7% in 2006. In the last two years the market has grown by over £200 million. This growth is generally coming from new buyers although frequency of purchase amongst existing buyers is continuing to grow. These estimates are lower than the Soil Association (2006) estimate of £1.6 billion retail sales value in 2005, an increase of 30% compared with 2004.

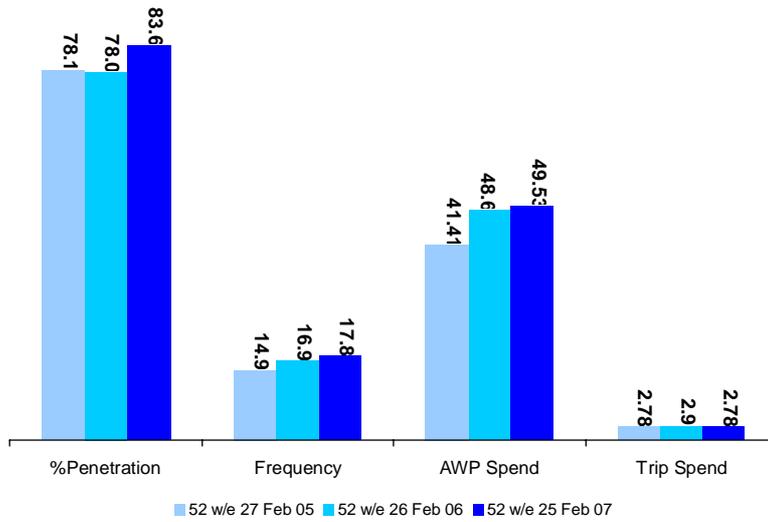
Total Organic Market – Spend £000s



3.2.2 **Household penetration and consumer spend**

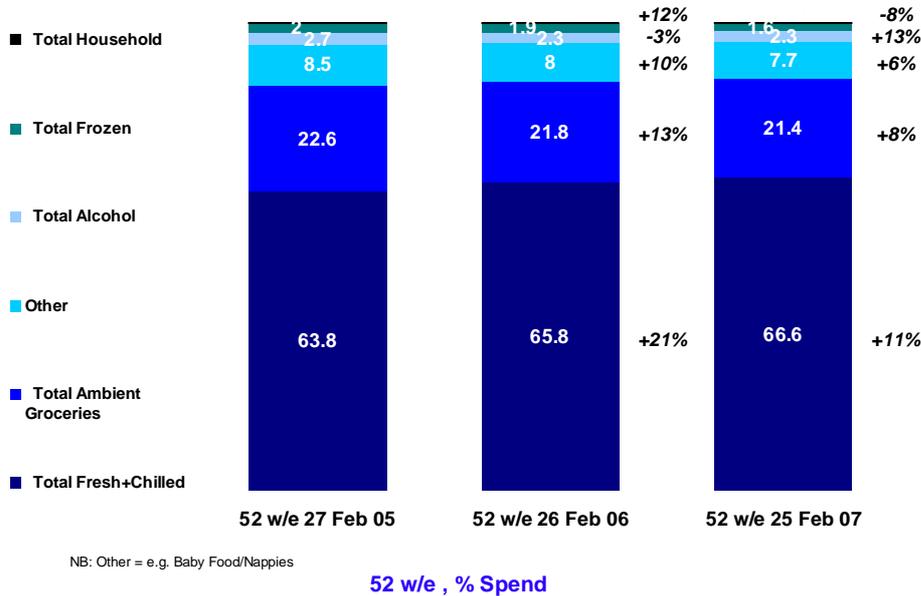
Within the general population, purchase of an organic product in the year is high at over 83.6% of all households, although much of this will be by default rather than a planned purchase. Some organic products have a wide appeal from a product performance and taste profile and consumers are buying not through any great desire to make an organic purchase but because they like the product. This high consumer penetration would demonstrate that, whilst organic is a must for some, it does not have any negative attributes that would actively stop non-organic consumers purchasing. This would suggest that appeal can be built, in the long term, and provided the product meets consumers' expectations on other fronts, being organic is an additional benefit that most consumers are quite happy to accept. On average organic consumers are buying organic products nearly 17.8 times a year, spending £49.53 with an average spend per shopping trip of £2.78.

Total Organic Market – Consumer Diagnostics



3.2.3 Sector shares

Total Organic - % Sector Shares

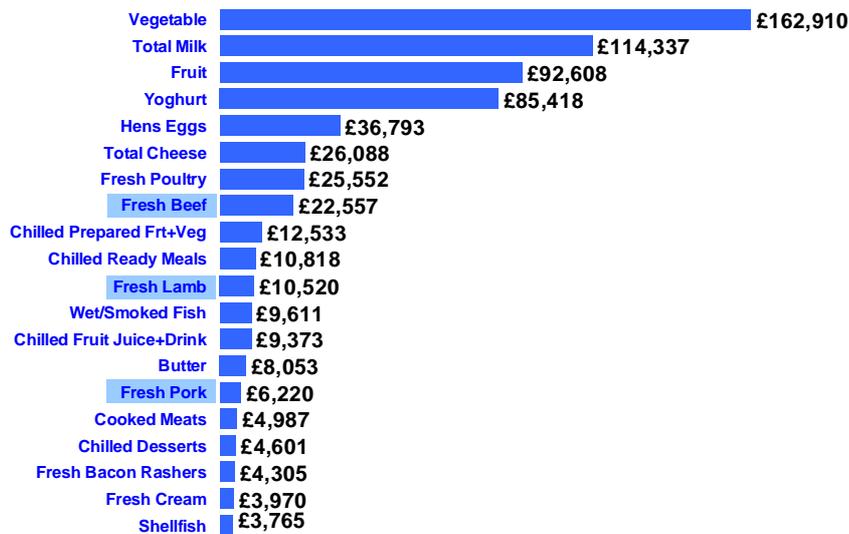


Fresh and chilled is the largest organic sector:

- with two thirds of the market, and is growing by 11% a year. Most other organic sectors are showing a good year-on-year growth.

Total Organic Fresh & Chilled - Top 20 Markets, Spend £000s

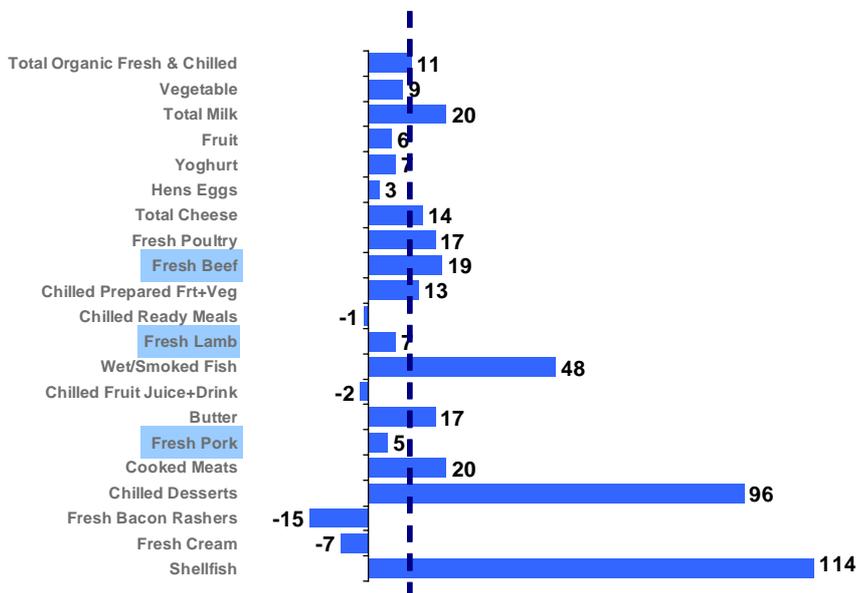
Organic Fresh & Chilled worth £679.4 Million, +11%



52 w/e 25 Feb 2007, Spend £000s

The fresh and chilled sector of the organic market is worth £679.4 million. Within this, the biggest product group is vegetables at £162.9 million followed by milk at £114.3 million, fruit £92.6 million and yogurt £86.4 million. Whilst these four sectors dominate the market, other fresh and chilled products, which perhaps came later to market, are showing strong growth.

Total Organic Fresh & Chilled - Top 20 Markets YOY£ Performance



52 w/e 25 Feb 2007 vs. Yr Ago, %YOY£

Milk, the second largest segment of the market, has managed to grow by 20% fuelled by new product launches. Shellfish, a much smaller sector, has grown by 114%, chilled desserts 96%, fish 48%, cooked meats 20% and beef 19%.

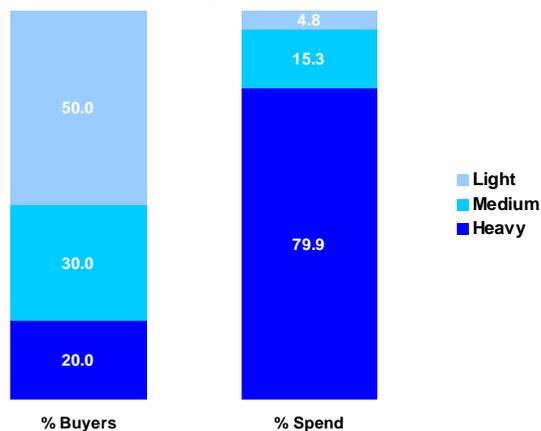
From a fresh meat perspective, whilst beef has managed to outperform the market, both lamb and pork have under-performed.

3.2.4 Who is the organic consumer?

3.2.4.1 Heavy, medium and light users

We have segmented organic consumers into heavy, medium and light users. When comparisons are made, total organic customers have been compared to total GB population and heavy, medium and light users compared to total organic users.

Total Organic Market – Segmented by Heavy / Medium / Light



52 w/e 25 Feb 2007

20% of Buyers represent nearly 80% of sales:

- there is considerable difference between the number of buyers in each sector and the share of spend they have. Light buyers represent half the market but only account for 4.8% of spend. Heavy buyers are 20% of the market and account for nearly 80% of spend.

Who is the Organic Consumer?

Total Organic

- 2 and 4 member Households
- No Children / Aged 45+
- ABC1 Social Class / Older Post Family
- London and South
- Organic / Food & Wine Connoisseur / Free Range / Regional / Fair-trade / Country of Origin / Local Produce / Healthy

Heavy Organic

- 20% buyers, 80% spend
- Much heavier Organic buyers than average, spend £136.68 per annum and buy 37.2 times per annum
- 3 and 4 member Households
- With Children / Aged Under 44
- ABC1 Social Class / Young & Older Family and Older Post Family
- London, South, South West and East England
- Fresh & Chilled Organic Foods
- Within Organic Fresh & Chilled: Milk, Fresh Poultry, Cheese
- Organic / Food & Wine Connoisseur / Free Range / Regional / Fair-trade / Country of Origin / Local Produce / Healthy

NB: Total Organic vs. Total GB
HML Organic vs. Total Organic

Heavy organic buyers dominate:

- representing nearly 80% of the Organic spend, heavy buyers and total organic consumers are similar.

Who is the Organic Consumer?

Medium Organic

- 20% buyers, 15% spend
- Lighter Organic buyers than average, spend £17.41 per annum and buy 10.3 times per annum
- 1 member Households
- No Children / Aged 45+
- AB Social Class / Young & Older Post Family and Single Elderly
- South, South West and East England
- Ambient Organic Foods
- Within Organic Fresh & Chilled Foods: Vegetables, Fruit, Yoghurt, Eggs, Fresh Beef
- Organic / Food & Wine Connoisseur / Free Range / Regional / Fair-trade / Country of Origin / Local Produce / Healthy

Light Organic

- 50% buyers, 5% spend
- Lighter Organic buyers than average, spend £3.29 per annum and buy 2.6 times per annum
- 1 and 5+ member Households
- No and 3+ Children / Aged under 28
- C2DE Social Class / Pre Family and Single Elderly
- Midlands, North East, Yorkshire, Lancashire, Scotland
- Ambient Organic Foods
- Within Organic Fresh & Chilled Foods: Vegetables, Fruit, Yoghurt, Chilled Prepared Fruit and Vegetables
- Fast Food / Price / Convenience / Take-Away / Advertising / Unhealthy

NB: Total Organic vs. Total GB

HML Organic vs. Total Organic

Light Organic consumers are not typical:

- the light organic consumer, who represents 50% of buyers, is not a typical organic consumer. They are not concerned with health and are more interested in price and fast food. This group is probably buying Organic promotions or last minute “sell by date” reductions.

Shopping Behaviour in Total Organic

	Annual Spend (AWP)	Frequency	Trip Spend
Total Organic	£49.53	17.8	£2.78
Heavy	£136.68	37.2	£3.68
Medium	£17.41	10.3	£1.69
Light	£3.29	2.6	£1.25

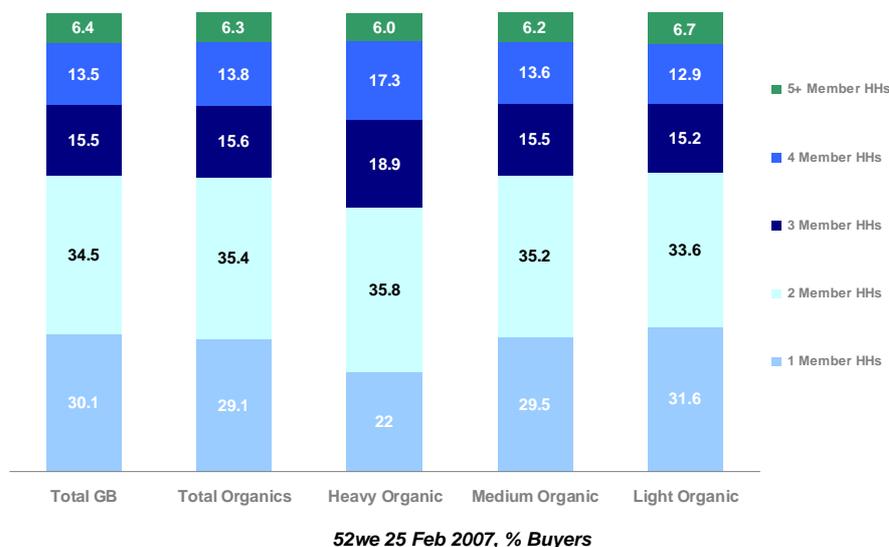
Heavy organic buyers shop for organic over 37 times a year:

- whilst light organic buyers are only spending £3.29 a year, heavy buyers are shopping for organic 37.2 times a year and spending over £136 on organic products. Their average spend per trip is over twice that of a medium buyer and nearly three times more than a light buyer.

3.2.4.2 Demographics

Because of the high total household penetration of organics the demographic profile of a total organic user is fairly close to the demographics of the GB population. However the profile of the heavy users changes considerably.

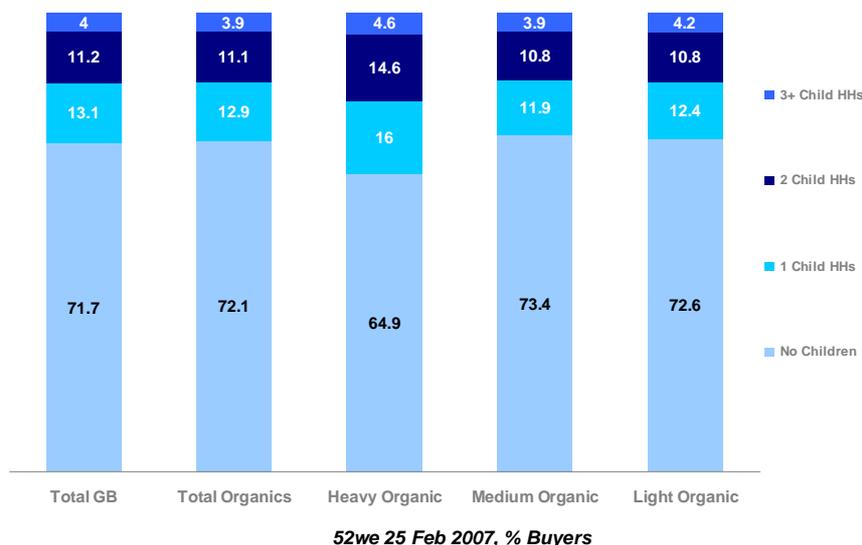
Total Organics – Household Size



Organic food is less popular among people living alone:

- within the heavy organic user group, single person households, and to a smaller extent the five plus households, are under-represented, and two, three and four person households, are over-represented compared all organic buyers.

Total Organic - Presence of Children



Children are important in committed organic households:

- in heavy users, households with children are strong, whilst in the less committed medium and light users they are not as important. The following chart refers to housewife age but this is a generic term and is really a reference to the age of the main shopper who can be either male or female.

Total Organics - Age of Housewife



The younger housewives up to age 44 are the most committed heavy users:

- among heavy users it is the younger housewives who have a higher than expected share. This would suggest these people have committed to what will become a lifelong lifestyle change and goes against the generally held view that organic shoppers are older with more disposable income.

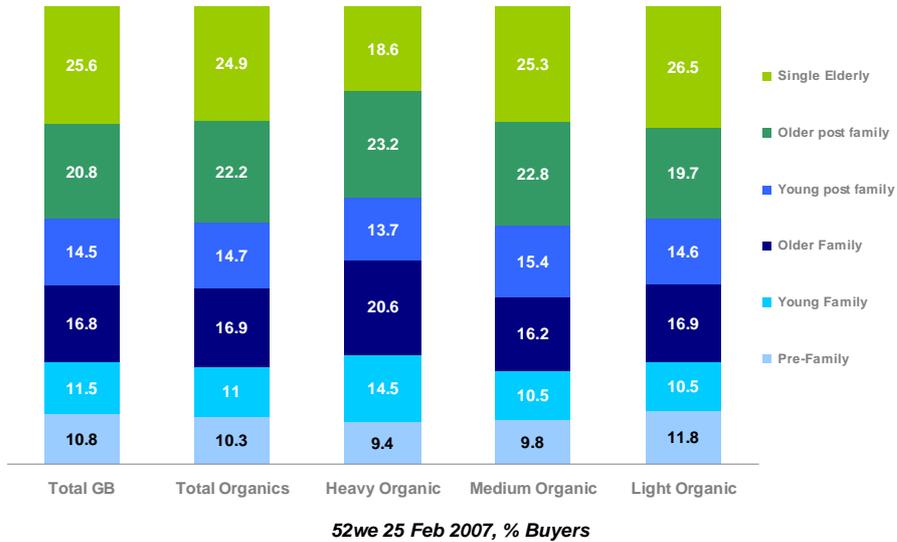
Total Organics - Social Class



Organic appeals to the ABC1 social classes:

- among heavy users the ABC1 groups are the most important; the heavy organic shopper is therefore under 44 and from the upper social classes of society, i.e. younger with more disposable income.

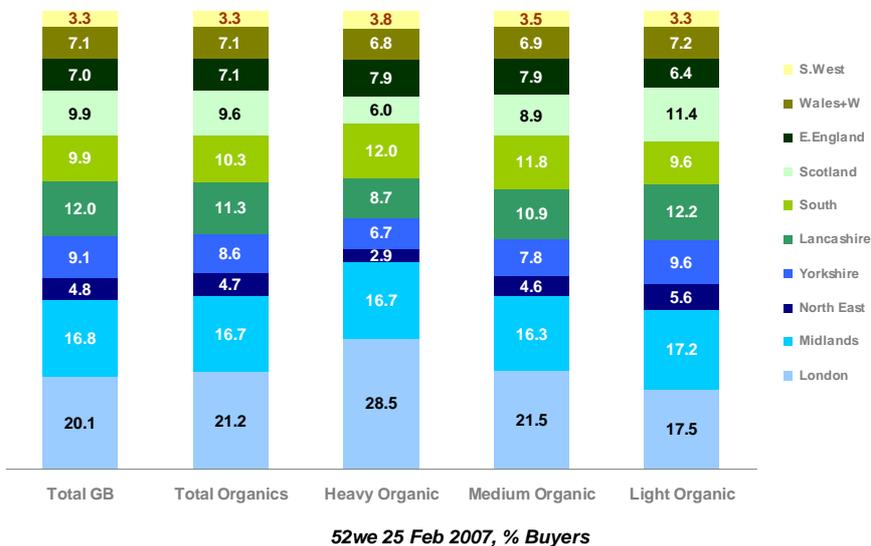
Total Organics - Life Stage



Family groups are strong in organic:

- heavy users over perform in the young and older family groups.

Total Organics - Regions



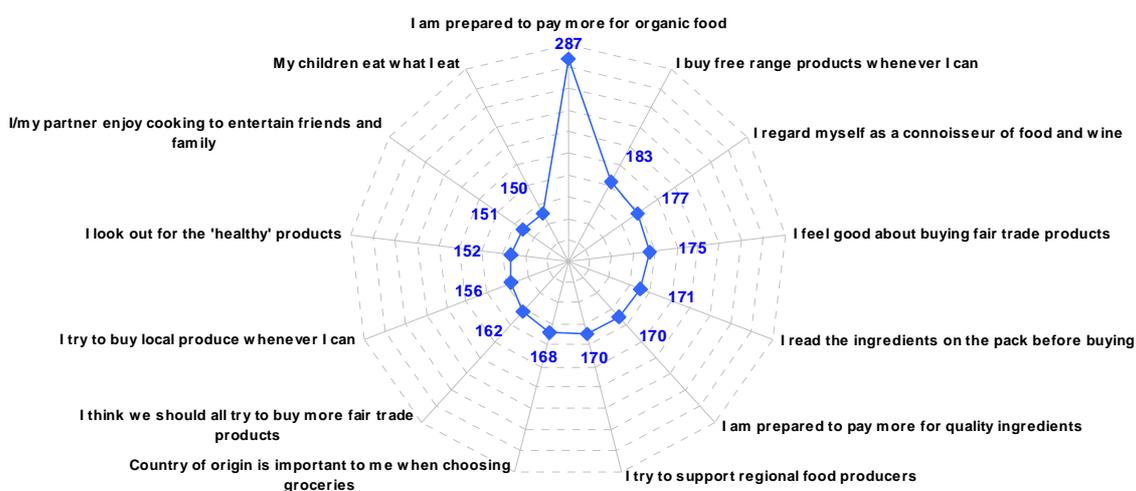
The southern and eastern regions of the country are stronger in organic:

- there is a distinct variation between the North and the South of the country as there is between the East and the West. Whilst London is the strongest region for heavy users this strength is apparent in most southern regions. The east is also performing at a higher level than expected. The northern and western regions (including Wales) all trade at lower than expected levels.

3.2.4.3 Attitudes

The panel members are asked a range of attitudinal questions twice a year. By doing this, the attitudinal statements can be matched against the purchases they are actually making and an overall picture of an organic consumer can then be established. It is still the heavy users who are the most important group and will give us a better idea of who the committed organic buyer is.

How close is the Heavy Organic consumer to the Total Organic consumer, attitudinally?



NB 100 = Perfect Match

52 w/e 25 Feb 2007, % Buyers

Heavy users are committed to having to pay more for organic:

- when compared to the average organic consumer it is clear that the heavy users are committed to the idea of having to pay more. They are also strongly into supporting free range, fair trade, regional and local produce. The importance of country of origin makes it clear that they have concerns over where the product comes from and whether it is fair trade or home produced. They generally regard themselves as connoisseurs and entertain family and friends regularly. They will ensure their children are eating the same foods they eat and generally regard organic as more healthy than the alternative. The high scores in all these attitudinal statements make it quite clear that these people are committed users.

The heavy organic shopper spends 5% of his grocery shopping bill on organic:

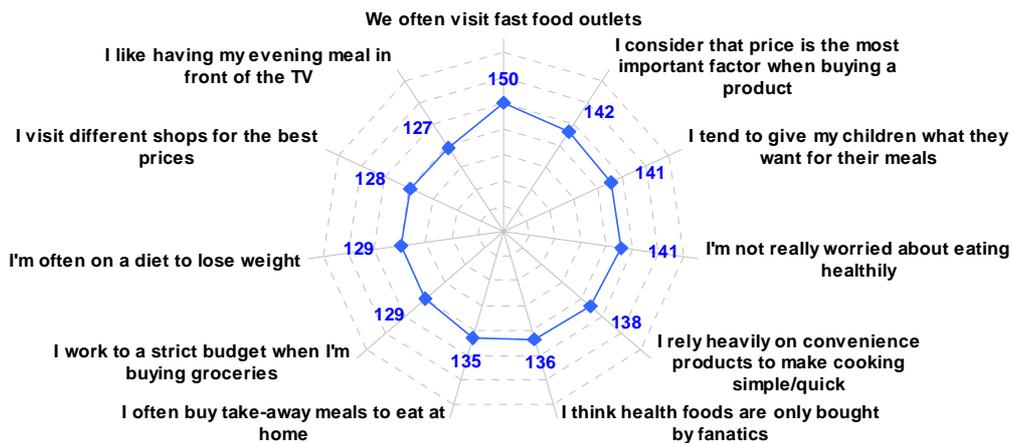
- the heavy organic shopper has one of the highest yearly grocery shopping bills at £2,618 and spends about 5% of that on organic. 70% of his organic spend is on organic fresh chilled and 29% is on organic red meat at £28.64 per year.

*The
Heavy Total Organic Shopper*

	<i>Annual Spend (AWP)</i>	<i>Frequency</i>	<i>Trip Spend</i>
<i>Total Grocery (RST)</i>	<i>£2618.18</i>	<i>127.4</i>	<i>£20.55</i>
<i>Total Organic</i>	<i>£136.68</i>	<i>37.2</i>	<i>£3.68</i>
<i>Fresh & Chilled</i>	<i>£1198.73</i>	<i>98.4</i>	<i>£12.18</i>
<i>Organic Fresh&Chilled</i>	<i>£95.87</i>	<i>29.3</i>	<i>£3.27</i>

52 w/e 25 Feb 2007

How close is the Light Organic consumer to the Total Organic consumer, attitudinally?



NB 100 = Perfect Match

52 w/e 25 Feb 2007, % Buyers

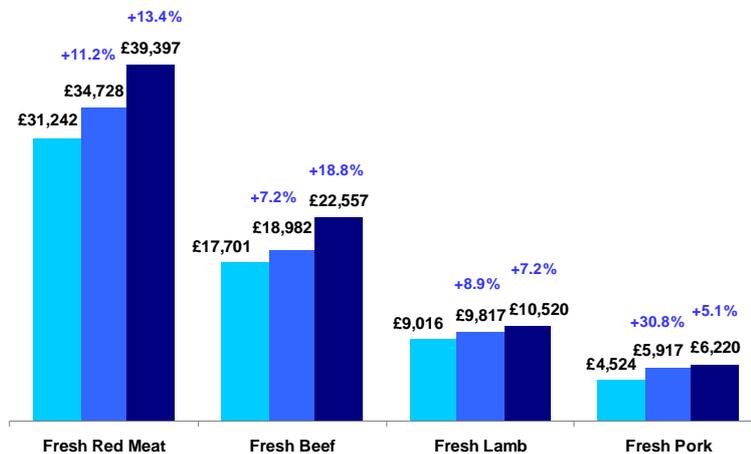
Light users have no real interest in organic:

- whilst the heavy users are committed the light users appear to have no commitment to organic in either their lifestyle or attitudes. The lifestyle of a light user is therefore at complete odds with the heavy users. They are into fast food, takeaway meals and convenience. They are not worried about eating healthily which may be why they are often on a diet. Price is important and they work to a strict grocery budget. The fact that these people are only buying any organic just over two and a half times a year would indicate that this is either a distress or promotional purchase. If organic had the same pricing structure as the products they buy it is likely they would become more involved with the idea of organic.

3.3 The market for organic fresh meat

3.3.1 Sales and household penetration

Organic Fresh Meat – Market Size & Performance

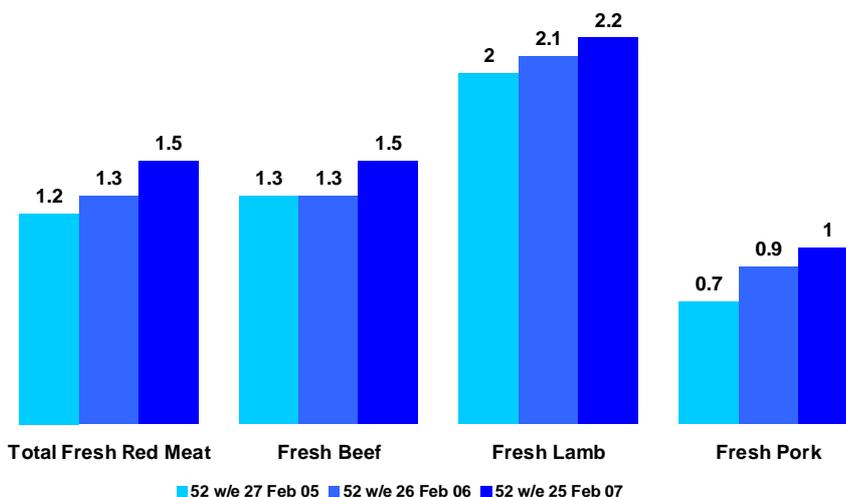


52 w/e 25 Feb 2007, Spend £000s

Organic fresh meat is now worth nearly £40 million:

- up from £31 million two years ago. Over the last two years organic red meat has grown by 26%. All three red meat species are showing growth, beef leading the way at 18.8% followed by lamb 7.2% and pork 5.1%. Beef is clearly the largest of the meats with nearly a 68% share. However when you look at Organic share of total meat sales, lamb has achieved the highest share with organic lamb being 2.2% of total lamb. This compares to 1.5% for total meat and beef and 1% for pork.

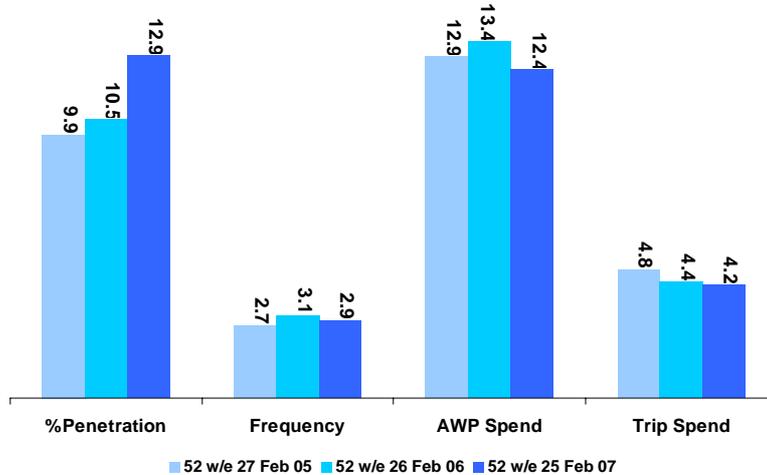
Fresh Meat – Organic Spend Share of Total Market



52 w/e 25 Feb 2007, % Spend

Organic lamb has the largest share of market at 2.2% of total lamb

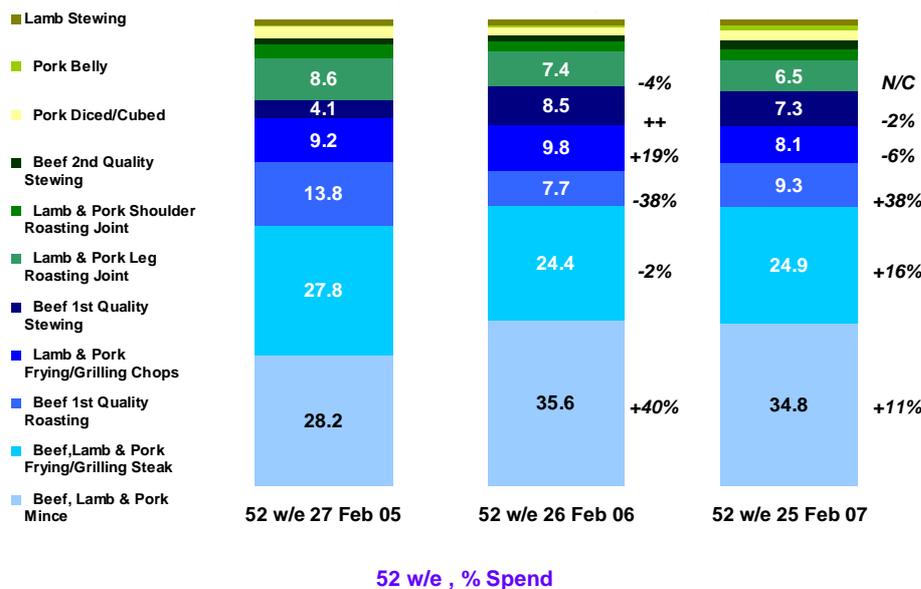
Organic Fresh Red Meat – Consumer Diagnostics



Household penetration of organic red meat is at 12.9%:

- although penetration has grown from 10.5 to 12.9%, frequency of purchase, AWP spend (Average Weight of Purchase) and spend per trip has fallen. So we have more shoppers, shopping less often and spending slightly less. The interest in the fall in spend is whether it is the result of a fall in average price or a change in the product mix i.e. are people buying cheaper cuts of meat.

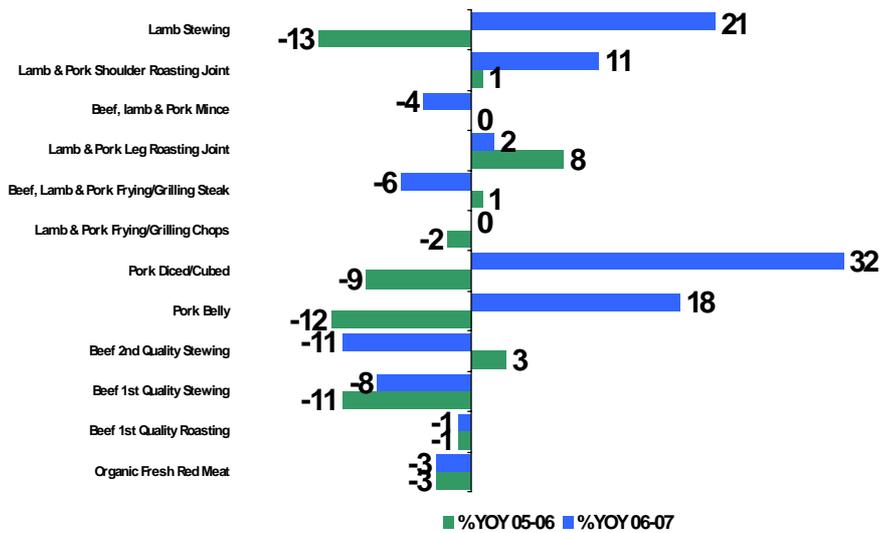
Organic Fresh Red Meat – Spend share by Cut



Growth in Roasting and Steaks:

- the growth in roasting and steaks ahead of mince and stewing suggests that consumers are buying more expensive cuts of meat but as the trip spend is down they must be paying less for them. The average price has therefore started to fall.

Organic Fresh Red Meat by cut - %YOY change in average price per kg

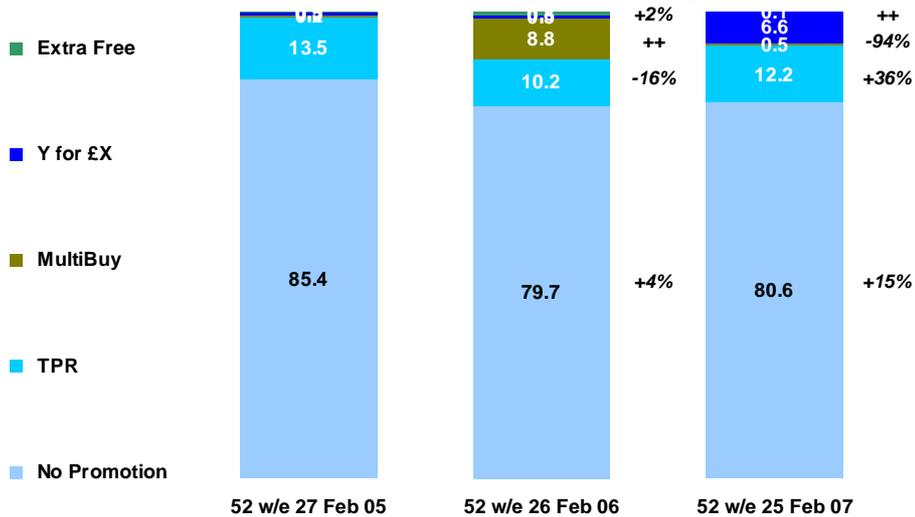


52 w/e 25 Feb 2007 vs Yr Ago, %YOY av price

Prices have fallen:

- organic fresh meat prices have fallen by 3% for the last two years. In the first year this fall was due to the dramatic growth of mince, a cheaper cut. But in the latest year, beef roasting (+38%) and steaks (+16%) have grown ahead of mince (+11%) but at lower retail prices bringing the total average price for organic meat down.

Organic Fresh Red Meat - % Spend Share by promotion



52 w/e , % Spend

Was this fall in average price the result of more promotion?

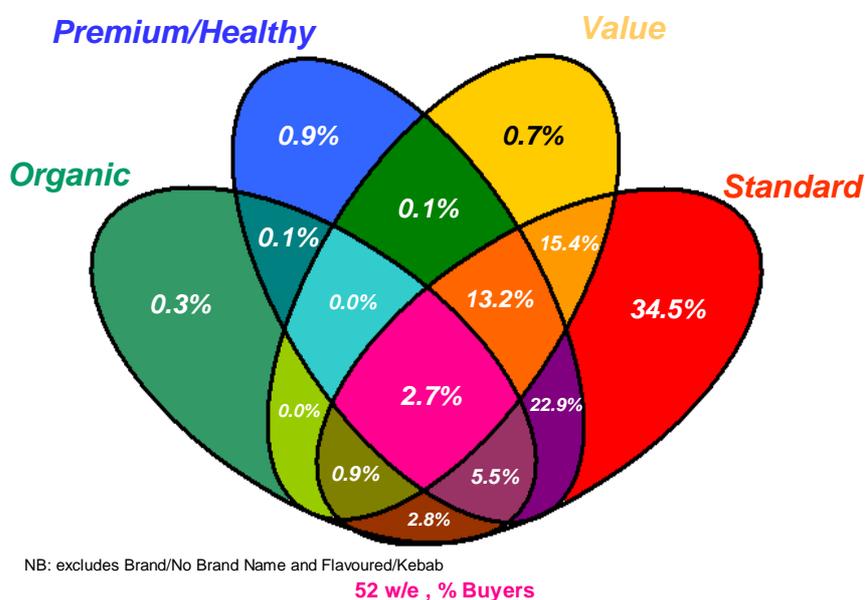
- there has been little change in the % sold on promotion, the total amount sold on promotion has actually fallen slightly. So the fall in average price has not been driven by promotion activity. This means that the actual standard price of organic meat must have fallen.

One striking change is that the type of promotion has changed year on year. Three years ago it was all about price reduction. This changed to a mixture of price reduction and Multi-Buy and then in the latest year the y for £X (quantity at a fixed price) approach has become prominent mixed with an increase in price promotion.

3.3.2 Consumer attitudes and loyalty to organic fresh meat

In order to meet current consumer demands and market trends, retailers have started to segment ranges, offering product availability at a number of quality levels. These will generally manifest themselves as Value, standard, standard plus, healthy, organic and premium. To simplify things we have grouped premium, healthy and standard plus together and then looked at the cross shopping behaviour of consumers across these tiers.

Fresh Red Meat – What is the level of overlap across tiers?



There is little loyalty to organic meat from organic meat buyers:

- the biggest sector is clearly those consumers who only buy standard at 34.5%, whilst the organic figure is low at 0.3%. Those people who only buy premium or value are also low at 0.9% and 0.7% respectively. Only 1.4% of consumers only purchase in the added value premium/healthy organic tiers. It is clear that most buyers continually buy across the tiers, buying product that meets their requirements at that particular time.

From other research, whilst price as always comes out strongly in the decision tree, hierarchy, appearance and size are very important, “does the product look like a good piece of meat?” and “is the size sufficient for my requirements?” Other additional factors also come into play from an organic point of view with many organic buyers being keen supporters of other ethical consumer issues.

The organic red meat buyer is similar but not identical to the total organic buyer. At an organic meat level we have lost four member households, the age profile has dropped 10 years, gained young and old families and young post families and also spread the geographic area to include the east of England.

3.3.2.1 Heavy organic meat buyers

The heavy organic buyer again has some differences against a heavy organic meat buyer. We have gone from 20% of buyers having 80% of spend to 20% of buyers being responsible for 60% of spend. Whilst total organic buyers purchase organic 37.2 times a year, meat is only purchased 6.3 times. The heavy organic meat buyer is aged 28-64 whilst the heavy total organic buyer is under 44 and, whilst older post families are important in total organic, it is the younger post families who are more important in meat.

Who is the Organic Fresh Red Meat Consumer?

Total Organic Fresh Red Meat

- 2 member Households
- No Children / Aged 35+
- ABC1 Social Class / Young & Older Family and Young Post Family
- London, South and East England

Compared with the average Fresh Red Meat shopper, the Organic Fresh Red Meat shopper is more likely to buy Beef and Lamb. In terms of cuts they are more likely to buy Steak, 1st Quality Roasting, Chops, Leg Roasting, Shoulder Roasting and 1st Quality Stewing.

- Organic / Food & Wine Connoisseur / Free Range / Regional / Fair-trade / Country of Origin / Local Produce / Healthy

Heavy Organic Fresh Red Meat

- 20% buyers, 60% spend
- Heavier Organic Fresh Red Meat buyers than average, spend £28.64 per annum and buy 6.3 times per annum

- 3-4 member Households
- With 1-2 Children / Aged 28-64
- ABC1 Social Class / Young & Older Family and Young Post Family
- London, South, Scotland, East England, S West

Compared with the Organic Fresh Red Meat shopper, the Heavy Organic Fresh Red Meat shopper is more likely to buy Lamb. In terms of cuts they are more likely to buy Mince, Chops and Leg Roasting.

- Organic / Food & Wine Connoisseur / New Brands / Country of Origin / Ingredients / Regional / Quality / Free Range

NB: Total Organic Fresh Red Meat vs. Total GB

HML Organic Fresh Red Meat vs. Total Organic Fresh Red Meat

Heavy buyers have 1 or 2 children:

- heavy buyers are from family groupings. Whilst beef is the biggest sector in organic meat, heavy buyers are more likely to purchase lamb and buy across the three main cuts: leg, chops and mince.

Shopping Behaviour in Organic Fresh Red Meat

	Annual Spend (AWP)	Frequency	Trip Spend
Total Organic	£12.37	2.9	£4.24
Heavy	£28.64	6.3	£4.58
Medium	£7.62	1.8	£4.29
Light	£3.09	1.1	£2.86

52 w/e 25 Feb 2007

Heavy buyers spend £28.64 a year:

- heavy buyers are shopping 6.3 times a year for organic meat compared to about once a year for light buyers and twice for medium buyers.

3.3.2.2 Medium and light organic meat buyers

Frequency of purchase for both these groups is low, at 1.8 times and 1.1 times a year respectively. Both numbers would suggest these buyers are either dipping their toe in the organic meat market or buying because the product itself met other purchase criteria at the time of purchase.

Who is the Organic Fresh Red Meat Consumer?

Medium Organic Fresh Red Meat

- 30% buyers, 24% spend
- Lighter Organic Fresh Red Meat buyers than average, spend £7.62 per annum and buy 1.8 times per annum
- 2 and 4+ member Households
- With 2 Children / Aged under 28 and 45-64
- AB Social Class / Pre and Older Family and Young Post Family
- London, South, Wales & West and South West
- Compared with the Organic Fresh Red Meat shopper, the Medium Organic Fresh Red Meat shopper is more likely to buy Lamb and Pork. In terms of cuts they are more likely to buy Steak, 1st Quality Roasting, Chops, 1st Quality Stewing, Leg & Shoulder Roasting
- Out of Town shopping / Take-Aways / New Brands

Light Organic Fresh Red Meat

- 50% buyers, 16% spend
- Lighter Organic Fresh Red Meat buyers than average, spend £3.09 per annum and buy 1.1 times per annum
- 1 member Households
- No and 2+ Children / Aged under 28 and 65+
- C2DE Social Class / Single Elderly
- North East, Yorkshire, Lancashire, Scotland, East England.
- Compared with the Organic Fresh Red Meat shopper, the Light Organic Fresh Red Meat shopper is more likely to buy Lamb and Pork. In terms of cuts they are more likely to buy Mince, Steak, Chops and Shoulder Roasting.
- Price / Budget / Convenience / Fast Food / Enjoyment

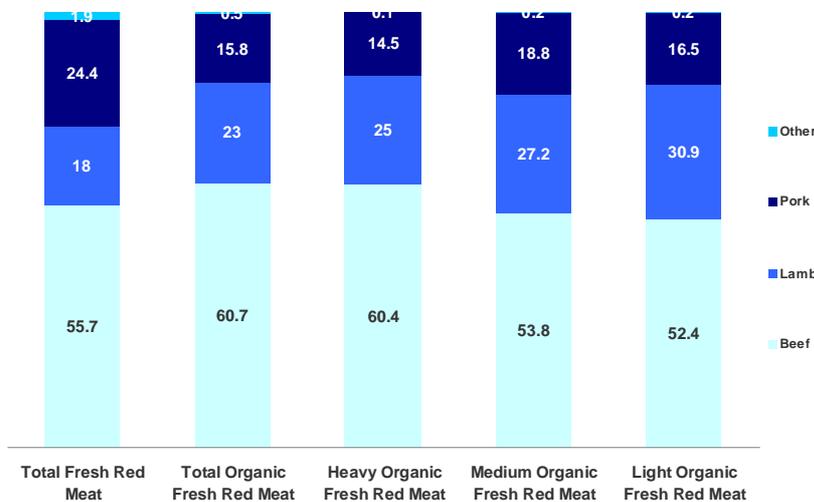
NB: Total Organic Fresh Red Meat vs. Total GB
HML Organic Fresh Red Meat vs. Total Organic Fresh Red Meat

Light buyers are interested in price:

- light buyers would not normally considered to be typical organic buyers as they are interested in price, convenience, fast food and enjoyment. Even medium buyers are less typical than would be expected.

3.3.2.3 Share of trade for organic meat

Organic Fresh Red Meat - Species



52we 25 Feb 2007, % Spend

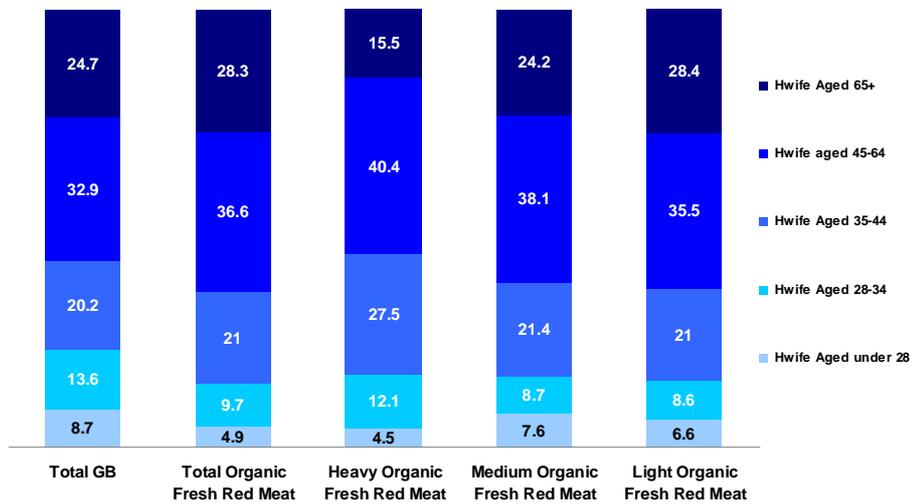
Pork under performs:

- in total red meat beef has the largest share with over half the market followed by pork with nearly a quarter and lamb with 18%. In organic the positions of lamb and pork have been reversed. Beef has managed to increase its share to 60%, lamb 23% and pork's share of trade has fallen to just under 16%. Within the important heavy buyer group lamb has a 25% share and pork has fallen even further to 14.5%. Amongst those buyers who are only eating organic once a year lamb has managed to increase its share and just under a third of light users will be selecting lamb as their choice for that year.

3.3.3 Demographics for organic meat

Summaries of the demographics have already appeared but the following charts will give us more detail on how important the age of housewife and social class are to heavy organic meat buyers and the changes that have occurred year on year.

Organic Fresh Red Meat - Age of Housewife

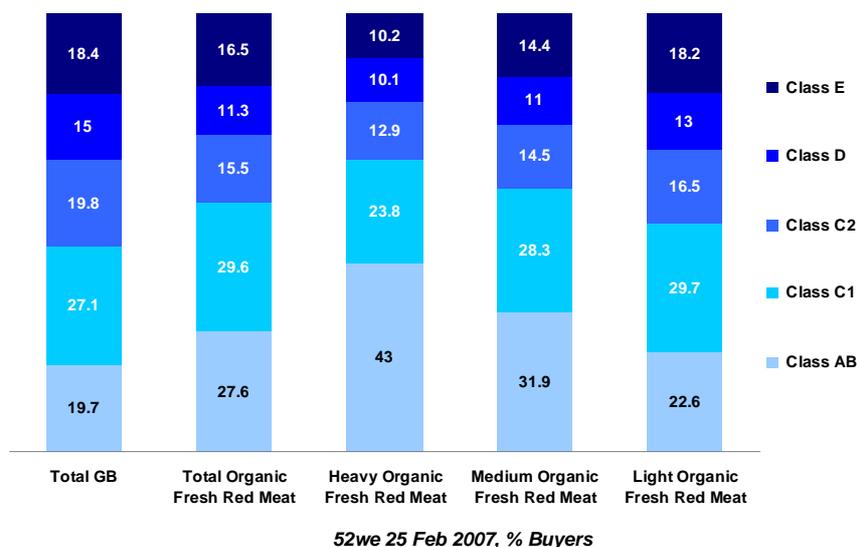


52we 25 Feb 2007, % Buyers

Housewives aged 28 to 65 are heavy users:

- the older over 65's tend to be medium to light users, whilst younger housewives still under-index versus the GB population. The 35-44 age group have a 40.4% share in heavy buyers showing how important this age group is to organic meat.

Organic Fresh Red Meat - Social Class

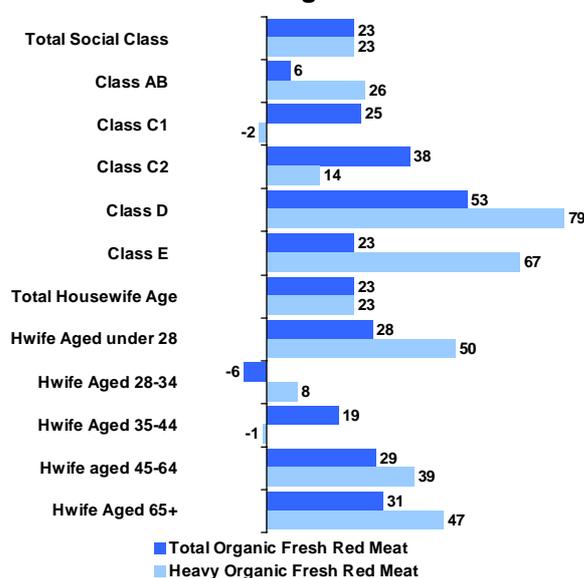


Social class AB is very important to organic meat:

- social class AB is responsible for over 40% of organic heavy buyers whilst only representing 19.7% of the GB population.

Organic Fresh Red Meat - %YOY change (Buyers)

Social Class and Housewife Age



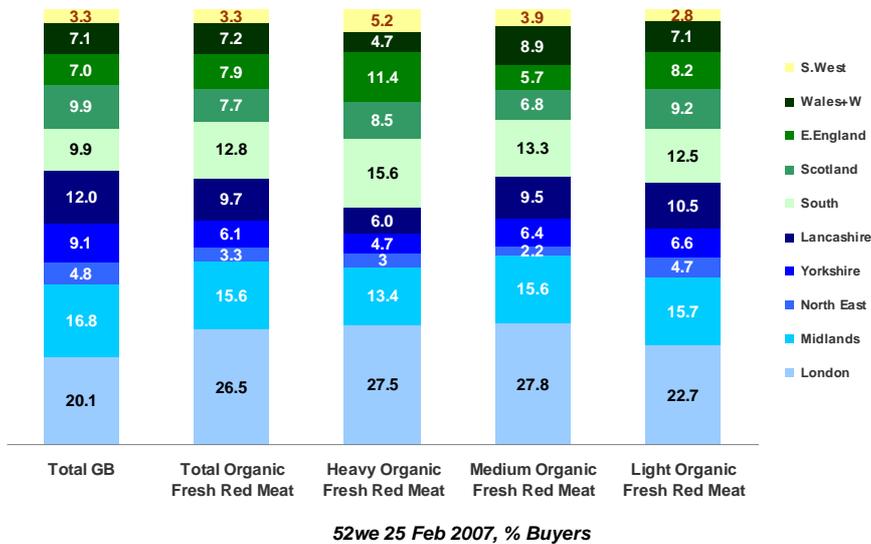
52 w/e 25 Feb 2007 vs. Yr Ago

All of the five social classes are in growth:

- at a total organic meat level all social classes are showing growth; the heavy C1 buyer appears to have reached a peak in meat and there is a slight fall year on year. All other heavy buyers are increasing year on year purchasing levels.

The level of growth would suggest that organic meat is still at an early stage of development and there is still huge potential in the market.

Organic Fresh Red Meat - Regions



London is the strongest region for organic:

- London, the South and the East are the three strongest regions; Wales & West at only 4.7% has fewer heavy buyers but is strong in medium buyers.

How close is the Organic Fresh Red Meat consumer to GB average, attitudinally?



NB 100 = Perfect Match
Double click on chart to unhide other statements

52 w/e 25 Feb 2007, % Buyers

The attitudinal statements for organic meat are similar:

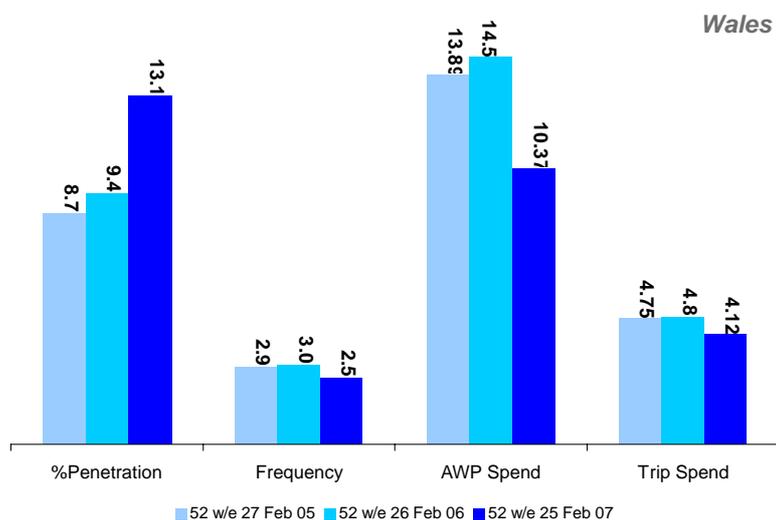
- they do not differ that much from those of a total organic buyer. The strength of the "I am prepared to pay more for organic food" claim has moved significantly from an index of 287 to 180 but this is still a very high number. Most other attitudes follow the same trend in that, they are still there and significant, but lower than a total organic buyer. "I try to buy environmentally friendly products" has also appeared with fresh meat.

Organic red meat buyers are prepared to pay more, but they also support other added value concepts such as free range, fair trade, healthy eating and environmental products. Medium and light buyers appear to be buying to appease their conscience rather than any great belief in organic. Medium buyers' attitudes include "Out of town supermarkets are a good thing", "I often visit fast food restaurants" and "I like to eat my food in front of the TV". Whilst light buyers include "I consider that price is the most important factor when buying food", "I work to a strict budget", "I rely heavily on convenience foods". The "I buy things just because I see them on the shelf" claim may have some influence in this one annual purchase of organic meat.

3.4 Organic red meat buyers in Wales

Organic red meat in Wales is worth £2.4 million and growing by 3.1% a year representing 65,000 extra households. This growth is over 10% behind the rest of GB but household penetration is already higher at 13.1%.

Organic Fresh Red Meat Market – Consumer Diagnostics

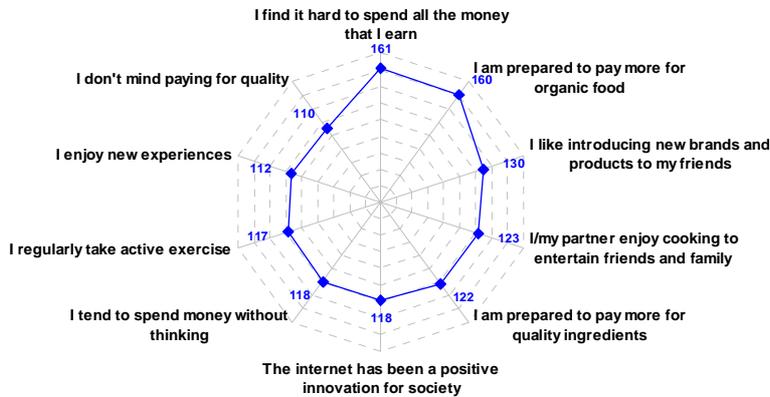


Across red meat, only 0.2% are organic-only buyers, but 12.3% of red meat buyers have purchased organic meat in the last year.

Compared with the Fresh Red Meat shopper, Organic Fresh Red Meat shopper households are more likely to have 3-4 members, no children, age 35-64, from ABC1 social class and from Pre Family, Older Family and Young Post Family life stages.

Organic red meat consumers in Wales are undoubtedly similar to those in the rest of GB. However they appear to have an excess of disposable income with statements like "I find it hard to spend all the money I earn", "I tend to spend money without thinking", and they are also keen internet users.

How close is the Organic Fresh Red Meat consumer to Wales average,attitudinally?



NB 100 = Perfect Match
 Double click on chart to unhide other statements
 52 w/e 25 Feb 2007, % Buyers

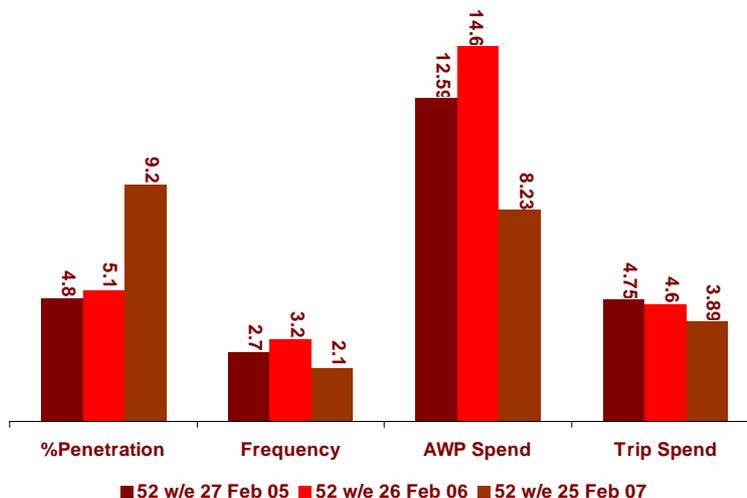
3.4.1 Key insights into organic meat in Wales

3.4.1.1 Beef

Organic fresh beef in Wales is worth £1.3 million and growing at +4.5% year on year. The increasing number of shoppers who are purchasing organic beef drives growth. Household penetration has risen from 5.1 to 9.2 in the last 12 months, an increase of 74,000 households.

Across the fresh beef quality tiers, there are very few shoppers who only purchase organic (0.7%). However 9.5% of beef buyers have purchased organic fresh beef in the latest year.

Organic Fresh Beef Market – Consumer Diagnostics



Compared with the fresh beef shopper, organic fresh beef shoppers are more likely to have 3-4 members, have 1 or 2 children, be aged 35-64, be from ABC1C2 social class and be from Older Family and Young Post Family life stages.

The organic beef shopper in Wales is prepared to pay more for organic and high quality food and is health conscious.

3.4.1.2 Lamb

Organic Fresh Lamb in Wales is worth £518,000 and declining at 17.4% year on year. This decline is due to a loss in the number of organic lamb shoppers and those who remain in the market buying less organic lamb.

Household penetration has fallen to 3.0% of the population from 4.3% of the population two years ago. In the last year the over 7000 households have been lost from the market.

Across the fresh lamb quality tiers, only 1.5% are only organic lamb buyers; however 5.3% of lamb buyers have purchased organic fresh lamb in the latest year.

Organic Fresh Lamb Market – Consumer Diagnostics Cymru - Wales



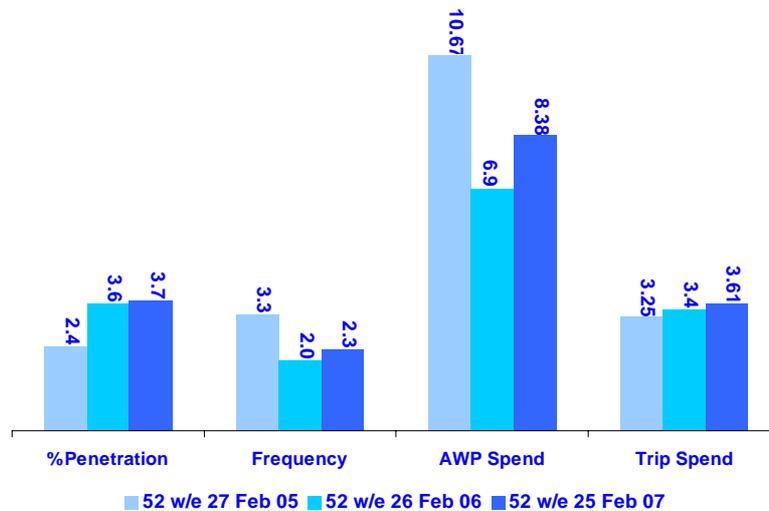
Compared with the fresh lamb shopper, organic fresh lamb shoppers are more likely to have 3+ members, have 1 or 3+ children, be aged 28-34 and 45-64, be from AB DE social class and be from Pre and Young Family and Young Post Family life stages.

The organic lamb shopper in Wales is prepared to pay more for organic, likes quality food, likes promotional mailings and wants to be healthy.

3.4.1.3 Pork

Organic fresh pork in Wales is worth £539,000 and growing at 29.9% year on year. With the fall in lamb it has again just managed to move into second place behind beef. The growth is due to more frequent purchasing, 2.3 times a year, but it is behind the 3.3 times achieved two years ago, and larger basket spend, up from £6.90 to £8.38 a year.

Organic Fresh Pork Market – Consumer Diagnostics



Like beef and lamb there are very few shoppers who only buy organic pork (0.4%). However 4.4% of pork buyers have purchased Organic Fresh Pork in the latest year.

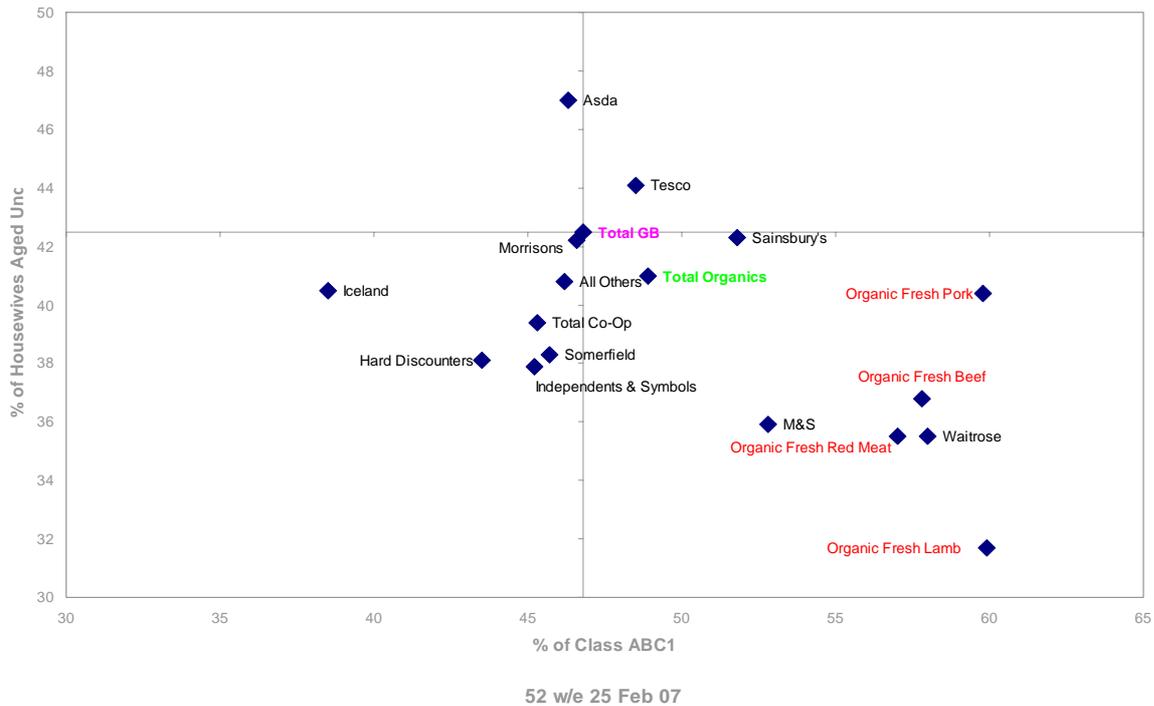
Compared with the fresh pork shopper, organic fresh pork shoppers are more likely to have 1-2 members, have no children, be aged under 34 and over 65, be from ABC1C2 social class and from Pre Family, Young Post Family and Single Elderly life stages.

The organic pork shopper in Wales is prepared to pay more for organic, likes free-range, likes local produce and quality ingredients. However although they take regular exercise they are not worried about healthy eating.

3.5 The retail market for organic

The multiple retailers have not been slow in recognising the opportunities offered by organic meat and have worked hard to ensure that they have an offering in all product areas. This will not always mean sourcing product locally and will in many instances include a large number of imported products.

Organics - Demographic Map - Buyer Profile %



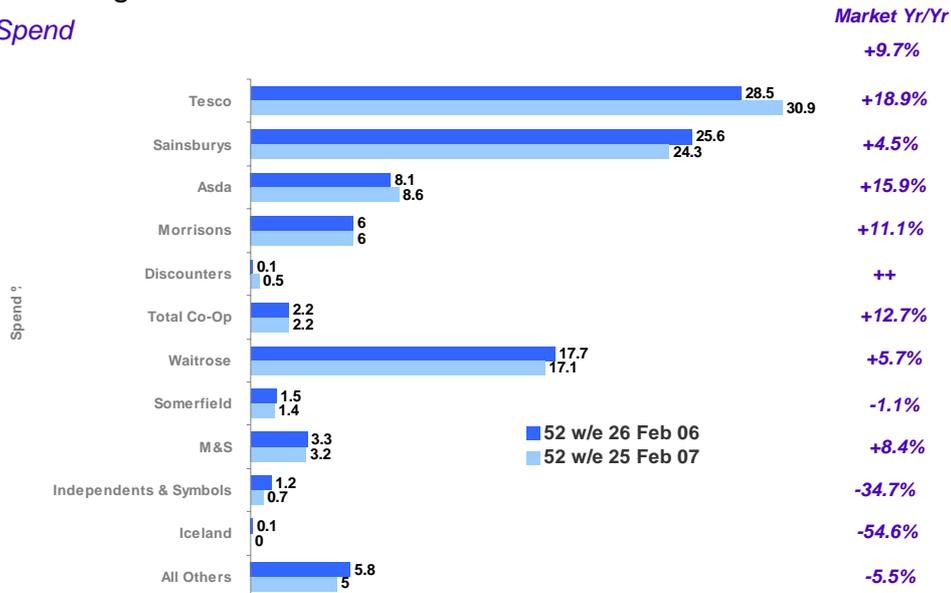
N.B. Retailers based on Total Grocery

Both Waitrose and Marks and Spencer would appear to have a definite advantage when it comes to servicing the organic meat consumer. Their own consumer profiles are the closest to the red meat organic consumer. Waitrose has managed to capitalise on this whilst Marks and Spencer, despite being very strong in previous years, has suffered badly over the last year. Their share of total organic has managed to increase year on year; however their performance in organic meat has been poor and they now trade at lower than expected levels.

Tesco are clear brand leader in total organic with a market share of 30.9%, up an impressive 18.9% year on year, well ahead of the market. Sainsbury's are second with a share of 24.3%, down from 25.6% in the previous year with growth of only 4.5%, which is behind the market. Waitrose come in an impressive third with an organic market share of 17.1% compared to 3.7% for total grocery; year on year growth is only 5.4%. Whilst Asda has slipped from third in the overall market to fourth in organic they were latecomers and it is only in recent years that they have entered the organic sector. Their growth of 15.9% shows that they are serious in getting what they see as their rightful market share. Morrisons are next with a 6% share followed by Marks and Spencer with a share now in line with their overall market share. M&S have managed to put on organic growth of 8.4%, slightly less than market growth, but they will have been hindered by a poor performance in meat dragging that growth figure down.

Total Organic – Retailer Annual Share of Trade

Spend

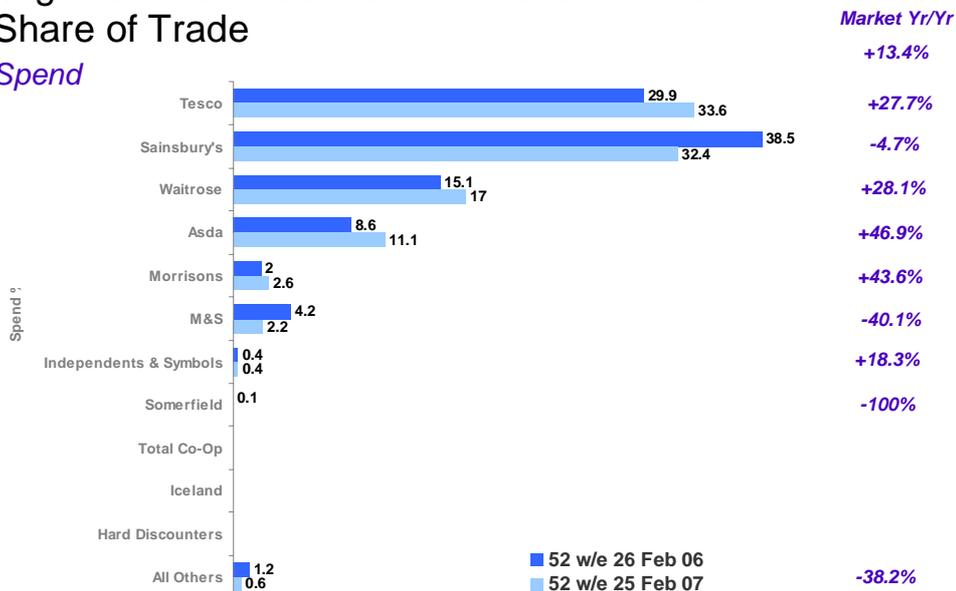


Where do consumers buy their organic meat?

Tesco are brand leader and their growth of nearly 28% year on year has taken them ahead of Sainsbury for the first time. Waitrose have a 17% share, close to the total organic share, but in meat they have managed to put on growth of over 28%. Asda has managed to nearly double its organic meat sales and Morrisons are starting to show intent that they wish to compete in this market.

Organic Fresh Red Meat – Retailer Annual Share of Trade

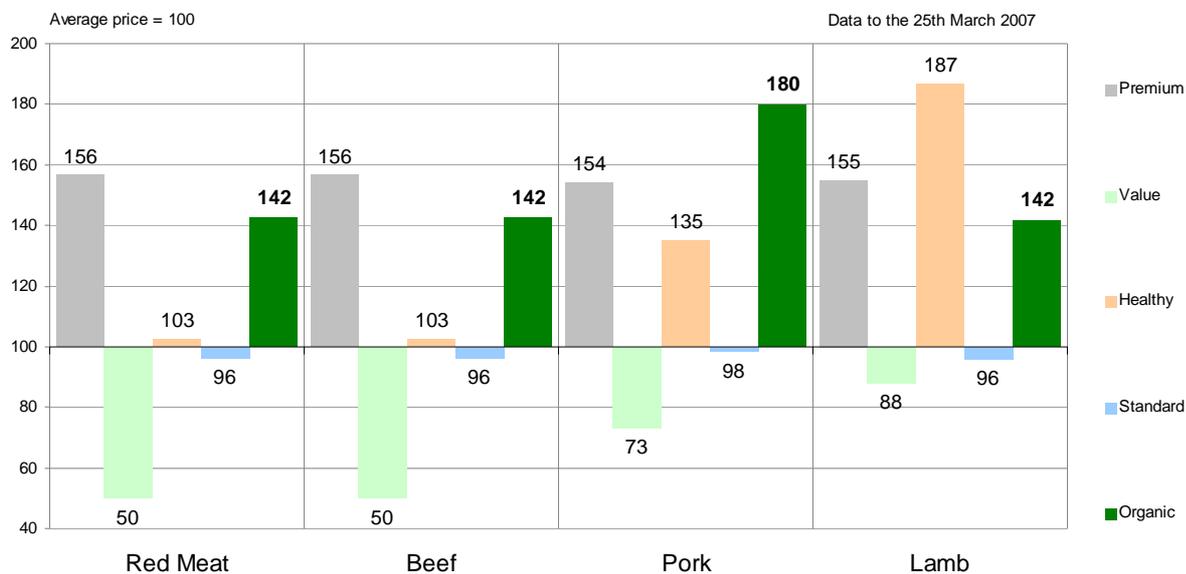
Spend



The Marks and Spencer share has fallen to below both their grocery and total organic shares and a fall of 40% is of concern. Within meat some of the M&S range could be following their standard fresh meat offering into a more added value products and it is possible that some of this fall could be attributed to consumers trading up into these areas and out of the TNS definition of fresh meat.

The M&S customer has in the past been a good barometer for the future trends of the upmarket consumer. M&S organic consumers have many influences that affect their buying, and may have moved on and be satisfying their need for local, fair trade or premium products rather than buying organic.

Index of the non-promoted retail price of organic meat



Organic pork is relatively more expensive than beef or lamb with an index of 180 against the average price of all pork. This premium will probably explain why it is the weakest of the three species and will be caused by the additional costs of producing organic pork compared to beef or lamb. In general organic lamb will only cost around 15% more than conventional product and beef 25% more; organic pork costs between 80 and 100% more to produce.

4 Conclusions and recommendations

The organic market for meat products is continuing to grow, offering potential for more producers to become involved in the sector. However, if this is to be done to the benefit of producers and wider society, there are a number of constraints that need to be addressed, including:

- the closure of the Organic Farming Scheme in Wales in 2007 due to delays in implementing the 2007-2013 rural development plan, resulting in producers delaying conversion;
- despite the market demand, organic prices are still well below real costs of production for many organic producers, with producers relying on support payments to subsidise lamb and beef production, a problem shared by conventional producers;
- some organic livestock, including light mountain lambs, store lambs, dairy bred calves and cull cows, do not find an organic premium market and are often sold as conventional;
- imports, particularly of beef from south America, undercut UK producers, keeping prices low.

To address these problems, apart from some of the more generic issues raised in sections 2.8.4 and 2.9, specific actions targeted on the meat sector are needed:

1. There is a need for much better statistical data on current production levels and market shares, as well as forward projections, in order to facilitate market development, protect against fraudulent trading, and ensure effective use of public funds to support the sector. Two routes have been identified to achieve this:
 - a. HCC to conduct a survey of Welsh slaughterhouses to determine numbers of organic livestock slaughtered (this will include some English stock slaughtered in Wales and exclude Welsh stock slaughtered outside Wales, but will still be an improvement on the current situation).
 - b. OCW to progress its planned producer survey this summer/autumn. This will aim to quantify annual outputs as well as marketing channels used. As responses to previous postal surveys had only limited response rates, the aim will be to use a telephone survey. A proposal will be submitted to WAG FMDD and HCC for assistance with the additional staff costs that would be involved.
 - c. The possibility of using June Agriculture Survey and/or Single Application Form data was considered, as it would provide current year data, but as of 2007, neither source is actively collecting livestock data. Instead, cattle and sheep registration data will be utilised. There is a need to explore whether organic holding numbers can be linked to this data to provide an estimate of current organic livestock production.
 - d. Working with multiple retailers to get a better understanding of their demand requirements (led by HCC).
2. As recommended by Bassett (2003) and the Organic Strategy Group (Section 2 above), continued efforts should be made to support the role of producer groups in developing markets for organic meat, particularly with respect to the multiple retailers. Care should be taken to ensure that any new initiatives do not undermine existing work without good cause.

3. There is a need to continue developing alternative marketing channels to the main multiple retailers with their focus on undifferentiated product. While multiple retailers will still be the most important outlet for Welsh organic meat, other market outlets need to be developed to spread risks. In particular, these should include:
 - a. Building specific markets for Welsh organic meat in Welsh multiple retailer and other outlets. While the limitations on developing a niche within a niche are recognised and valid, the developing demand for local product, and the strong profile for Welsh organic products in Wales according to the earlier TNS results, means that this remains an avenue with significant potential. HCC and WAG FMDD could assist with building links between producers and buyers.
 - b. Building the potential for public procurement, in particular by schools and hospitals. HCC has invested significant effort in developing this area, while the case for organic food and farming's contribution to sustainable procurement, particularly given WAG's investment in the organic farming agri-environmental scheme, is clear. To build on this, HCC will include OCW information (the case for organic sourcing and the trade directory) as part of the information supplied when developing local sourcing initiatives. OCW will support specific feasibility studies to explore how organic meat can be utilised affordably, by looking at alternative menu, supply chain and carcase utilisation options.
 - c. Considering the development, or support for currently developing, distribution hubs to enable smaller producers to engage in supplying a wider range of procurement, hospitality catering and smaller retail outlets.
 - d. There is a need to consider developing export markets, in particular for light mountain lambs which currently do not have a market through the multiple retailers. Currently, Italy is the major outlet for Welsh (non-organic) PGI lambs, with most of the trade as carcasses in the September to January period, although some cutting/packing is being developed. Spain was important, but demand declined and is now increasing again, while Portugal and Greece are also developing. For the development of specific organic exports to these countries, there would be a need first to identify how many lambs are involved (see 1. above). It is also suggested that there should be a focus on primal (preferably) or retail cuts, not carcase exports. The Biofach trade fair in February 2008 could provide an opportunity to assess potential demand for Welsh PGI organic light lambs in the target countries.
4. There is a need to develop consumer promotion initiatives in order to raise the level of consumer awareness and understanding of organic food, including its identification and the legal basis for organic standards, the specific content of organic standards, and the environmental, animal welfare, food quality and rural development impacts of organic farming. Any promotional strategy will need to consider the findings from the TNS data in this report, as well as the earlier TNS (2004) study. For appropriate markets, the Welsh origin may also be a relevant factor to promote. Options to achieve this include:
 - a. Developing use of Welsh PGI status and the Welsh organic identifier already developed by HCC (and building on the >90% consumer recognition of the HCC non-organic Welsh meat identifier) to support

the development of local (Welsh) marketing channels, particularly in the context of 3. above.

- b. Supporting the development of a UK-wide EU-funded consumer promotion campaign (see Annex 2), in co-operation with all UK levy boards including HCC, who have indicated a willingness to get involved. Welsh PGI status would still enable some Welsh identity within this context.
 - c. Failing the achievement of 4b., to develop with HCC a Welsh-based promotion campaign also drawing down EU resources. This might also build on possibilities for producer groups using RDP Axis 1 and State Aid resources to support promotion work. As much of the HCC promotion work is targeted on premium areas in England, this might entail some redirection of efforts.
 - d. Opportunities for making more organic food/farming information available through HCC outlets, e.g. the Food Hall stand at the Royal Welsh Show (and vice versa), should be explored in any case.
 - e. More generally, an increased organic profile in trade fairs currently attended by HCC and WAG, and in particular a specific Welsh presence at Biofach (February each year) with an export focus should be developed.
5. There is a need to support the development of improved organic livestock production systems, including beef from dairy systems, which help reduce costs while maintaining quality and the output of public goods and other desirable characteristics of organic farming, and which could achieve preferential consumer recognition (e.g. rose veal). Joint initiatives have been established, for example between livestock and dairy producer groups on dairy beef (see also ADAS (2007)); such initiatives could be supported by Defra-funded research as well as WAG Farming Connect and Agri-food and HCC levy funded development projects.
 6. There is a need for a regular forum to link organic sector businesses, WAG FMDD, HCC, Organic Strategy Group and OCW efforts in support of this sector.
 7. There is need to ensure that links with other sectors, in particular horticulture, arable, and dairy, are reinforced, in part so that effective mixed production systems can be developed, but also so that the benefits of an integrated approach to market development (e.g public procurement) and promotion can be obtained. This is also in recognition of a key finding of the earlier TNS report, that entry into organic meat purchasing by consumers tends to follow from engagement with organic fresh and dairy produce, which promotional strategies need to take into account.

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Annex 1: Organic meat trade directory

Aran Lamb

Cwmonnen Organic Farm
Llanuwchllyn, Bala
Gwynedd, LL23 7UG
Tel: 01678 540603
admin@aran-lamb.co.uk
www.aran-lamb.co.uk

Traditional Welsh hill farm producing award winning Prime Welsh Organic 'Aran Lamb' and 'Aran mutton'.

Main supply market: Direct sales, Farmers Market, Internet sales, Farm Outlet, Restaurants & Hotels

Bron y Gân Lamb

Bron y Gân,
Llanegryn, Tywyn
Gwynedd, LL36 9UF
Tel: 01654 711553
merciahammond@btconnect.com

Fresh lamb direct from the farm. Fresh and frozen lamb joints, steaks, chops, meatballs and beefsteaks.

Main supply market: Farmers' Markets, Caterers, Farm gate

Bryn Cocyn Organic Beef and Lamb

Bryn Cocyn, Llanefydd
Denbigh
Denbighshire, LL16 5DH
Tel: 01745 540207
noblep243@aol.com
www.bryncocynorganic.co.uk

Organic beef and lamb producer. Various vacuum packed beef and lamb joints available.

Main supply market: Box scheme, Retailers, Farmers markets, Farm shop, Local market,

Bumpylane Rare Breeds

Shortlands Farm
Druidston, Broad Haven, Haverfordwest
Pembrokeshire, SA62 3NE
Tel: 01437 781234
davidandpam@btconnect.com
www.bumpylane.co.uk

Red meat producer selling direct from the farm. Produce includes beef, lamb, black pudding and lambskins.

Main supply market: Direct sales, Farm shop, Farmers' market, Mail order, Caterers

Cambrian Organics

Food Centre Wales, Horeb
Llandysul
Ceredigion, SA44 4JG
Tel: 01559 363151
cambrianorganics@btconnect.com
www.cambrianorganics.com

Producer and retailer of a range of fresh organic meat and meat products including burgers and special cuts.

Main supply market: Direct to local shops, Farmers markets, Mail order, Supermarkets, Wholesalers

Capestone Organic Poultry

Walwyns Castle, Haverfordwest
Pembrokeshire, SA62 3DY
Tel: 01437 781247
hmartin@capestoneorganic.co.uk

Specialist poultry abattoir - poultry slaughter and cutting/packing facility, growing and processing organic chicken and turkey - fresh or frozen

Main supply market: Retailers, Caterers, Processors, Supermarkets

Graig Farm

Dolau, Llandrindod Wells
Powys, LD1 5TL
Tel : 01597 851655
sales@grraigfarm.co.uk
www.grraigfarm.co.uk

J Williams & Co

120 Vale Street,
Denbighshire, LL16 3BS
Tel: 01745 812585

Penrhiw Farm

Trelewis, Treharris
Mid Glamorgan. CF46 6TA
Tel: 01443 412949
penrhiw.farm@virgin.net

Rhug Organic Farm

The Rhug Estate, Corwen
Denbighshire, LL21 0EH
Tel: 01490 413000
info@rhug.co.uk
www.rhug.co.uk

S & J Organics

Llwyncrychydod
Llanpumsaint, Carmarthen
Carmarthenshire, SA33 6JS
Tel: 01267 253570
info@sjorganics.co.uk
www.sjorganics.co.uk

Welsh Farm Organics

Tyn Y Fron, Pentre
Mochdre, Powys, SY16 4JW
Tel: 01686 627979
sales@welshfarmorganics.co.uk
www.welshfarmorganics.co.uk

Welsh Hook Meat Centre

Woodfield, Withybush Road
Haverfordwest
Pembrokeshire, SA62 4BW
Tel: 01437 768876
john@welshhook.com
www.welshhook.com

Producer group, retailer and one stop shop for organic produce including meat, poultry and fish to Wales, UK and export.

Main supply market: Mail order, Farm shop, Retailers, Caterers, Processors, Wholesalers, Supermarkets

Organic beef, lamb and pork

Main supply market: Local shops

Organic hill farm producing home reared lamb and Aberdeen Angus beef. Products also include homemade lamb and beef burgers and sausages.

Main supply market: Direct sales, Farmers' markets, Box scheme, caterers

Organic Estate producing home-reared beef and lamb, poultry, bacon, gammon, sausages, burgers, pork, game.

Main supply market: Farm shop, Supermarkets, Mail order, Contract butchery, Wholesalers

Small farm specialising in organic poultry, including chickens, Aylesbury type ducks, award winning Muscovy ducks, guinea fowl & geese & turkeys at Christmas. Also new for 2005, a range of cooked poultry products including chicken & duck pies, chicken stock, cooked meats etc.

Main supply market: Farm gate sales, Farmers markets, Mail order, Wholesalers. TRADE SALES AT CHRISTMAS ONLY.

Organic meat producers, products include beef, lamb, pork, sausages, bacon, faggots and Welsh Bresaola

Main supply market: Internet, Mail Order, Box Schemes, Farmers' Markets, Caterers, Restaurants & Hotels

Specialist supplier of organic meat and meat products. Produce includes beef, lamb and pork.

Main supply market: Retailers, Wholesalers, Mail order, Farm shop, Caterers

Annex 2: EU funding for promoting organic food and the possible role of the levy boards in providing match funding

(Paper presented to English Organic Action Plan meeting, June 14th 2007)

ISSUES TO ADDRESS

The background to the following summary is the preparatory work that Defra and the Group has done on a possible EU-funded promotion programme under Council Regulations (EC) No. 2826/2000 and 2702/1999¹, and herein referred to as the "EU regulations". I believe that there are three priorities for this:

- to ensure consumers know that there is a legal definition of organic and how it can be recognised.
- to help consumers understand what organic standards promise, and what they don't, so that consumer expectations are not built up in areas where organic food/farming cannot or will not regulate.
- to help consumers understand what the research evidence says about what organic food actually delivers in terms of environment, quality etc.

The effect may be more to ensure that the consumer information base on which the organic market depends is stable and defensible, and therefore more sustainable and resilient, rather than to grow the market through media and campaigning hype which may be open to attack.

The basis for such a promotional campaign would be:

- a) the EU regulations providing support for and governing the promotion of agricultural products; and
- b) the specific emphasis on the organic element of these in the EU action plan for organic food and farming.

This was discussed at the joint meeting of UK Action Plan Groups in March 2006 and subsequently at a special promotions group meeting with Defra in June 2006, where the decision was taken to try to progress the idea, with the Soil Association leading, but the Soil Association later decided that it could not afford to take the lead role.

The EU Regulations as amended in July 2005 provide for specific promotion campaigns relating to organic farming focusing on:

- encouraging the consumption of organic farming products;
- enhancing consumer awareness of the labelling, including the Community logo for organic products;
- providing comprehensive information and broadening awareness of the benefits of organic farming, in particular with regard to environmental protection, animal welfare, maintenance of the countryside and rural development;
- providing comprehensive information on the content and functioning of the Community rules on organic farming;
- encouraging individual producers, processors and producer/processor/ retailer groups not yet taking part in organic farming to convert to this production method,
- encouraging retailers, retailer groups and restaurants to sell organic products.

A wide range of mechanisms are available under these regulations. The key conditions that need to be met are that:

- the messages must be generic and not favour particular regions, identifiable brands, trademarks or companies

¹ Council Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market and Council Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries.

- separate non-governmental promoters and deliverers are required – the promoters must be representative of the sector they wish to promote.

The development a multi-annual EU-wide information and promotion campaign on organic food and farming is also being developed by the Commission to support the development of campaigns at both and EU and national level (see Appendix 1 for a summary of progress made to date on this) and this resource will be available from October 2007 onwards.

Constraints

The main constraints to the development of a campaign in the UK and the utilisation of the EU resources is the need for an industry body to take the lead and for match funding to be identified.

Promoter organisation

Following a meeting of the promotions Group in June 2006, it was originally envisaged that Soil Association would lead on this issue carrying out the function of the proposing organisation, supported by Organic Centre Wales (OWC) and SOPA in Scotland, in their role as promoters. To the extent allowable, these organisations would also be the deliverers of part of the activity.

However, with the Soil Association now unable to take this leading role, an alternative promoter will need to be identified, and this could be the NFU or the levy boards, though an alliance of organic sector bodies formed to take on the promotion role could also be considered.

Funding

Under the EU regulations, the Commission would provide up to 50% of the cost of financing the programme, with the applicant (proposing organisation) funding at least 20% and up to 50% of the remaining funding. A maximum of 30% can be derived from government or parafiscal sources, but so far Treasury rules have discouraged government departments from investing in these campaigns (at least in England – the situation in Scotland, Wales and NI is still unclear). However, parafiscal sources could be taken to include the levy bodies, and there is a clear case here that the levy boards should invest in organic sector promotion given that a proportion of the levies paid a derived from by organic producers who otherwise see little benefit from their subscription². With Defra and SFFS backing, there should be a good chance that the levy bodies could be brought on board in a co-ordinated approach.

There are other issues that would need to be resolved, but the main issues are covered above. There is a deadline each November for funding applications, so rapid progress would need to be made to meet this year's deadline so that work could start mid-to-late 2008.

If this could all be pulled together, then the potential for investment in improving consumer understanding of organic standards and the evidence base for what it can deliver could be significant.

² any negotiations with the levy bodies should also include levy funding for research and business information

STATE OF PLAY ON THE EU PROMOTION CAMPAIGN ON ORGANIC FOOD AND FARMING

Latest position

- The ongoing design and build of various campaign elements (see attached note) of the Commission's multi-annual EU-wide information and promotion campaign on organic food and farming is at an advanced stage, although agreement has yet to be reached on a number of issues (including the campaign slogans that will be used).
- We anticipate these issues, together with an update on progress made to date and the Commission's proposals concerning the websites launch will be discussed at the next Experts Group meeting planned for 27 June 2007.
- The proposed website and a toolbox are expected to be operational in all the community languages by September 2007.
- The Official launch of the Commission's promotional campaign, which will be tied in to launch of new organics logo, is being planned for October 2007 although both dates are provisional at this stage and is subject to change.

Background

- The Commission is in process of establishing a multi-annual EU-wide information and promotion campaign on organic food and farming under Council Regulation (EC) No 2826/2000³ on the community system for organic production. The campaign will last three years.
- The aim of the campaign is to inform consumers, public institutions canteens, schools and other key actors in the food chain about the meaning and merits of organic farming, including its environmental benefits, and to increase consumer awareness and recognition of organic products, including recognition of the EU organics logo.
- The campaign will include :
 1. a **website** - to be available in all EU languages with links to national sites as well as the sites of all national promotion programmes for the organic sector co-financed by the community and containing material developed for the tool box (see one page note attached);
 2. the **toolbox** - which will be hosted on the website and will be at the disposal of national information campaigns and promotional programmes as well as stakeholders and the general public across the EU (see one page note attached).
- The website and tool box functions will be available to all organic operators, stakeholders and members of the public across the EU in order to allow access to a range of communication tools to promote organic food and farming at both an EU and national level.
- The annual budget allocation for this campaign is 1 million euros for three years (total 3 million euros). This figure is complementary to the co-financed promotion programmes, for which the Commission already has a budget of 50 million euros.
- The contract for designing and building website etc was awarded to Media Consulta in late 2006.
- The Commission established an ad-hoc technical experts working group in late 2005 in order to help steer this campaign through its development stages, foster close cooperation between the institutions of the Member States and organic farming representatives, and to provide for the exchange of information, experiences and good practices amongst on issues relating to the promotion of organic farming and food across the EU.
- The Group is made up of representatives from the Commission, Member States and high level specialists with a particular expertise in organising information and publicity campaigns under Regulation (EC) 2826/2000.

³ Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market.

- This Group has met on four separate occasions through 2006 and 2007 in order to contribute to the ongoing development of the Commission's campaign and the contractors proposed build plan for the website and tool box (see attached note).
- The Commission campaign is being implemented in accordance with Action No 1 of European Action Plan for Food and farming, adopted by the Council in June 2004⁴.

Website

The website will include the following features:

- an attractive home and informative homepage;
- an instrument for exchange between organisations running promotion campaigns co financed by the Commission and stakeholders involved in organic farming, with a view to encouraging the emergence of co-operation projects and networking;
- contact details of the relevant national and regional administrations and competent authorities;
- a database containing a description of each member of the above mentioned network;
- descriptions of each EU co-financed information and promotion programme, including examples of best practises and success stories of organic campaigns;
- links to national, regional local and any recent organic farming sites as well as to European Community sites;
- a library containing publications (in the broad sense) in electronic form;
- general information about organic food and farming;
- a current events page including information about seminars, fairs, events and other activities within the framework of EU co financed information and promotion programmes;
- an electronic mail box specific to the site to be managed by the contractor (Media Consulta);
- a "frequently asked questions" page;
- an organic food and farming sector's news corner.

Tool box

The tool box will include the following elements:

- key messages;
- slogans;
- models of brochures/ leaflets and other material of the same type;
- power point presentations;
- specific material for media campaigns (articles, advertisements etc)
- events and points of sale material including visuals to be used for posters banners etc);
- an order form to download tools;
- radio spots;
- TV spots;
- film footage in electronic form;
- photos data bases;

The tools will all display of the community and /or national logos in accordance with the conditions of their use.

⁴ Action Point 1 of European Action Plan for Organic Food and framing states that the Commission will:

- Launch a multi annual EU wide information and promotion campaign over several years to inform consumers, public institutions, canteens, schools and other key actors in the food chain about the merits of organic framing, especially it's environment benefits, and to increase consumer awareness and recognition of organic products, inducing recognition of the EU logo.
- Launch tailored information and promotion campaigns to well defined types of consumers such as the occasional consumer and public canteens.
- Increase Commission co-operation efforts with Members States and professional organisations in order to develop a strategy for the campaigns.