



The organic dairy market

During spring 2001/02 organic dairy farmers throughout the UK found themselves in a situation of oversupply, which led to a collapse in milk prices and 37 per cent of organic milk being sold onto the non-organic market. However, the total annual production of organic milk in the UK has stabilised and consumer demand for organic dairy products is growing so it is unlikely to be long before the 'supply – demand imbalance' is rectified, potentially leading to an increase in the price paid for organic milk.

- ⇒ Between 1998 and 2003 the number of organic dairy farms in Wales increased from 30 to 140.
- ⇒ Welsh producers marketed approximately 36 million litres of organic milk during 2002/03 compared to 10 million litres in 2000/01.
- ⇒ Yogurt accounts for 40 per cent of organic dairy sales in Wales, a figure in line with organic dairy sales across the UK as a whole.
- ⇒ In 2001/02 sales of organic cheese accounted for 13 per cent of organic dairy sales compared to 28 per cent of the non-organic dairy market.

Challenges facing the organic dairy sector

- ⇒ From August 2005 organic dairy producers may be required to feed 100 per cent organic diets as the non-organic feed derogation comes to an end. It is estimated that this will increase the price of feed by £55 tonne adding 1.4p per litre to the cost of production. It is likely that this will encourage farmers to produce milk from forage with less reliance on concentrates, which may trigger more spring calving herds and a seasonal organic milk supply. Consequently, there is a danger that organic milk will be imported to cover the winter shortfall. Farmers and milk groups need to plan ahead to prevent this possibility.

Marketing opportunities for organic dairy producers

- ⇒ **Bulk liquid market**
- ⇒ **Supermarkets** can provide producers with markets for greater volumes than most other outlets. Producer co-operatives and marketing groups benefit from economies of scale and can co-ordinate supply. Co-operation of this sort enables producers to become more competitive when supplying to multiple retailers.
- ⇒ **Direct sales** grew faster than any other retail outlet during 2003/04. Direct marketing outlets enable producers to build relationships with consumers and to receive a fair price for produce sold. Marketing opportunities include box schemes, farmers' markets, internet sales, and farm shops. High value dairy products such as cheese are particularly well suited to small, diverse market outlets.
- ⇒ **Restaurants and caterers** – Research shows that 44 per cent of the public would like to see an organic option on the menu when eating out. Consequently, the catering market offers huge retail opportunities for organic producers and processors.
- ⇒ **Local shops** – Organic milk is rarely seen in local shops despite the fact that milk is a fresh product commonly purchased daily rather than weekly. Securing contracts with local shops is especially significant when trying to increase organic milk sales outside urban centres.
- ⇒ **Public procurement** – Research shows that 70 per cent of people would like to see organic or locally produced food in schools. Consequently, Local Authorities, schools and governments are beginning to consider sourcing fresh, local, organic food for use in the public sector. For more information about supplying to the public sector contact Organic Centre Wales below.

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Recommendations

- ⇒ **On-farm processing** – Producers who process their own milk, either individually or as part of a local group tend to receive better returns than producers dependent on the bulk liquid market. For example the Trioni/Three Farms Dairy has successfully produced and marketed its fresh and flavoured milk to households and schools throughout Wales and the UK. For more information see the Soil Association's on-farm processing briefing paper, below.
- ⇒ **Regional/group branding** – Research indicates that 80 per cent of consumers in Wales would be more likely to buy organic products produced in Wales so the potential for dairy producers to capitalise on Wales' existing reputation for high quality livestock products is huge. It is recommended that products marketed outside Wales should be clearly identified first and foremost as British. However, for produce marketed within Wales, Welsh branding and identity are important. Soil Association Certification Ltd. licensees can use a range of free labels, based on flags, to promote the UK/national/regional origin of their product. For more information on marketing produce to the Welsh consumer see 'Organic Food: Understanding the consumer and increasing sales' available from Organic Centre Wales.
- ⇒ **Producer co-operation** – The key barrier to development remains distribution in areas with low population densities. Co-operation between producers can provide price and volume stability and improved access to markets. Additionally, producers can share labour, equipment and skills. For example Calon Wen will be distributing its products jointly with Rachel's Organic Dairy and Cambrian Organic during 2004/05 to reduce logistical costs and food miles whilst broadening the range of organic produce available to the consumer.

For more information

Calon Wen Organic Milk Co-operative Roger Kerr - 01952 812636 Roger@calonwen-cymru.com	The all Welsh milk producers co-operative
Farmers Markets – 0845 600 8692 Info@farmersmarketsinwales.co.uk www.farmersmarketsinwales.co.uk	To find out where your nearest farmers' market is and how to get involved
Food Centre Wales – 01559 362230 www.foodcentrewales.org.uk	Food Centres can provide producers and processors with assistance on product development, and advice on farm diversification and setting up new businesses.
Food Technology Centre – 01248 370125 www.foodtech-llangefni.co.uk	
OMSCo – 01934 750244 www.omscoco.uk/frameset.cfm	The Organic Milk Suppliers Co-operative A co-operative of around 300 British farmers
Organic Centre Wales – 01970 622248 www.organic.aber.ac.uk/markets organic@aber.ac.uk	In-depth reports into the Welsh organic dairy sector, free monthly market intelligence bulletins and advice on supplying to the public sector.
Soil Association - 0117 914 2400 info@soilassociation.org www.soilassociation.org	Production and processing advice including an 'On-farm processing and retailing' briefing paper, 'Marketing information for organic farmers' factsheet and 'Marketing information for organic growers' factsheet.
Trioni Ltd – 01239 682572 Threefarmsmilk@hotmail.com	A producer/marketing group producing and marketing fresh and flavoured milk throughout Wales and the UK
Wales Co-operative Centre Ltd – 029 2055 4955 Walescoop@walescoop.com www.walescoop.com	Advice on how to form/join marketing groups and provides a range of development and training services for co-operative enterprises
Welsh Development Agency Enquiries: 08457 775577 or Jonathan Parker: 02920 368 251 Jonathan.parker@wda.co.uk	The WDA provide support for organic producers and processors in the form of grants, promotional initiatives, Farming Connect and trade development activities.
X-Change Wales - 0845 644 8484 www.xchangewales.co.uk/xchangewales.aspx	X-Change Wales is a new national procurement website. Organic suppliers can use the website to market products and services to purchasers from the Welsh public sector