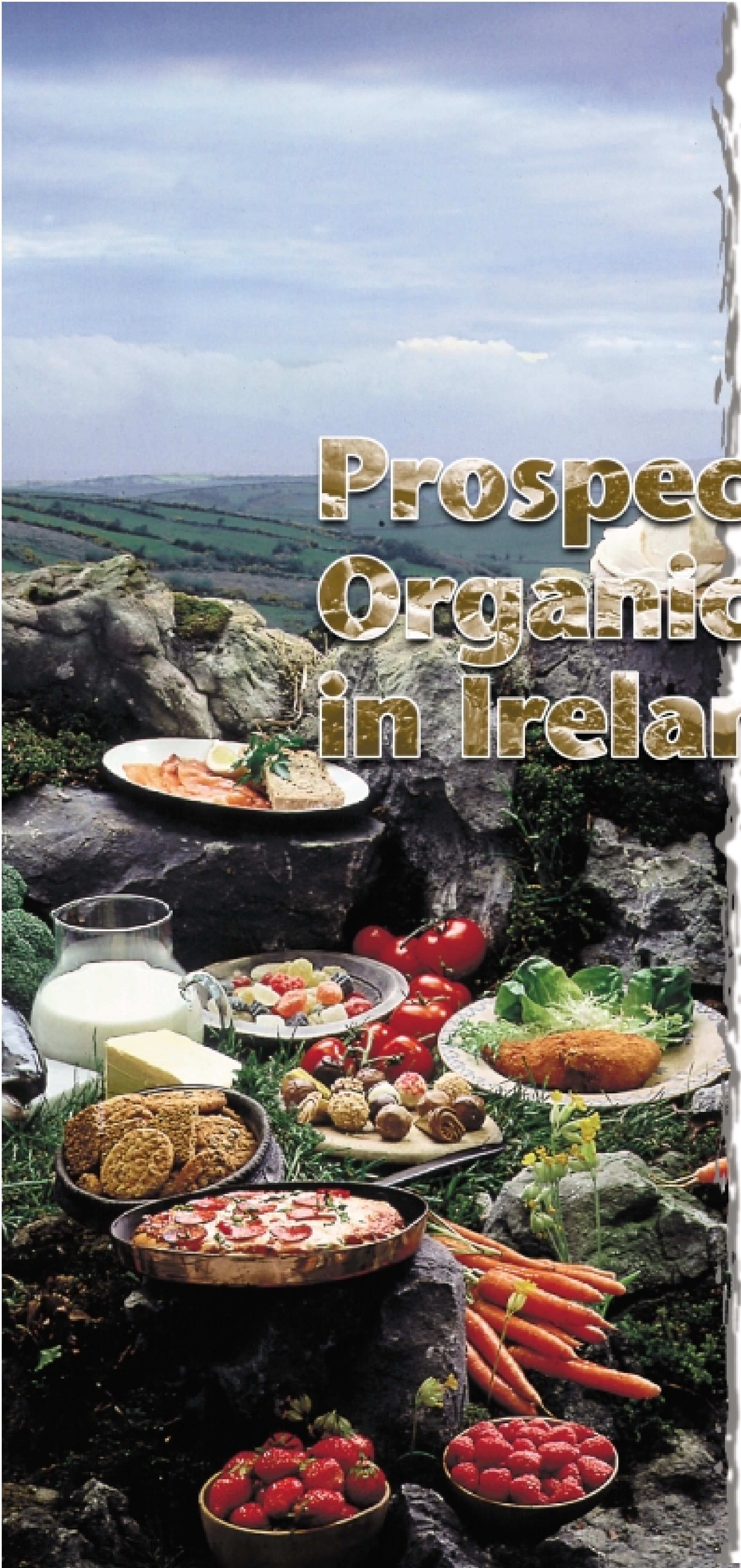
Bord Bia
Irish Food Board



# Prospects for Organic Food in Ireland

food & drink is our business

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# Contents



# foreword

The market for organic food is growing strongly across all markets internationally, albeit from a small base. In Ireland, the growth in demand for organic food continues to outstrip the capability of the Irish supply base to meet it. Imports are filling the deficit.

This report draws on a new survey of consumer attitudes undertaken for Bord Bia by the MRBI, a survey of organic food producers and trade interviews. It also sets out some of the key issues that are currently facing the organic food sector in Ireland. The report will provide a baseline measurement of the Irish market on which further research can be based.

It also includes a number of recommendations designed to underpin the development of the Irish organic food sector and capitalise on the growth in demand that is taking place.

Michael Duffy
Chief Executive

*Value of European market has increased threefold over the last decade*

*Organic food accounts for 2 per cent of total food market*

# Executive Summary

**Strong Market Growth**

- Organic food is one of the fastest growing segments of the European food market, albeit growing from a small base. The value of organic food sales has increased threefold over the last decade, from £1.5 billion in 1990 to an estimated £4.5 billion in 1999. The market is currently growing by 20-30% annually. The total food market by comparison has grown by just over 15 per cent over the last decade.
- There is almost 3 million hectares or two per cent of agricultural land under organic management in the EU involving over 114,000 producers. This compares to just half a million hectares and less than 20,000 producers in 1992.
- In the US, the growth of organic food has been averaging an annual rate of over 20 per cent in recent years and is expected to reach $6.6 billion in 2000. Sales are forecast to continue growing at this rate for the foreseeable future.
- Organic food remains a niche segment of the market, with the sector accounting for 2 per cent of the European food market and just over one per cent of the US food market. There is evidence however that it is emerging from the margins and into the mainstream, fuelled by consumer demand and the entry of conventional suppliers and retailers to the market. These factors are set to underpin future growth and a forecast market share of from five to ten per cent by the end of the current decade.
- Austria and Denmark are the countries where organic foods share of the total market is estimated to be in the region of 10 per cent. The figure in these countries is boosted by the strong sales of organic dairy products, especially milk. Organic food represents two per cent of the food market in Germany, France, the UK and the Netherlands.
- A number of major retailers, such as Sainsburys in the UK and FDB in Denmark, have taken a lead role in driving the market for organic food with strategies that address logistics issues along the supply chain, extending from production and sourcing to merchandising. In the US, the segment has attracted the attentions of larger players such as General Mills, Heinz and Unilever some of whom have acquired existing organic processors or introduced organic ranges.
- A strong feature of the EU market for organic food is the very high level of imports in most countries where 60-70 per cent of their requirements are imported. This is due to the fact that sufficient domestic supplies are not available to meet existing consumer demand. The main EU suppliers include Spain, Italy, the Netherlands, Germany and the UK while the principal non-EU suppliers include South America, Africa, New Zealand, Australia and Switzerland.
- To date the EU organic food sector has remain quite fragmented with most companies involved being small to medium sized. However, an increasing number of larger food companies across Europe now offer some organic food products. As the market to date has been mainly based on primary foods very few brands have developed. This is likely to change, as more value added organic food products become available.

**Consumer Demand: Drivers of Change**

- The principal factors driving the growth of organic foods are consumer concerns about health and safety, animal welfare and other environmental considerations. Growing disposable income moreover is enabling increased numbers of consumers to pay the premium demanded for organic products.
- EU consumers of organic food generally tend to be wealthier, well-educated, town dwellers, in the 35-65 age group. More affluent mothers concerned about family well being are among the typical customer profile.
- In the UK, a recent survey revealed health as the principal reason given by consumers for choosing organic, followed by the perception that such products are pesticide-free and contain more vitamins and minerals. Fewer consumers mentioned concerns about genetic modification and BSE and a perception that organic farming was better for the environment. In Ireland the

main reasons given for choosing organic food included the perception that organic food is healthier/better for you, it contains no artificial chemicals and it tastes better.
- Consumers generally have a positive disposition towards organic food. However, the lack of availability and limited range of organic food products can have the effect of losing potential customers. Also the price premium is seen as being prohibitive by some consumers as is the fact that organic food sometimes does not have as good an appearance as the equivalent conventional product.

**Growth Sectors**

- The organic food market across Europe continues to be dominated by primary food products such as fresh produce, dairy products, meat and cereal products. Growth in the market for processed organic foods has been more limited due to a general lack of availability.
- Fruit and (mainly) vegetables dominate a large proportion of the European Organic food market, accounting for an estimated 40 per cent of total organic food sales. The other main categories include dairy products at 18 per cent, meat at 12 per cent and bakery products at 11 per cent.
- Organic milk represents by far the largest part of the organic dairy segment, followed by yoghurt and cheese. Denmark is the most developed, with a 20 per cent share of the local dairy market comprised of organic products. However, production of organic milk in Denmark and Austria now considerably exceeds local demand resulting in a sharp decline in both producer and consumer price premia but an increased export potential.
- In the organic meat segment of the market, BSE in cattle and classical swine fever in pigs have led to increased consumer demand. However, in a total market currently estimated to be worth £550 million, beef and lamb due to their grass-base, dominate sales of organic meat.
- Organic bread and other cereal products are also becoming more important and is reported to be the second largest segment of the market in France and the UK. Organic baby foods account for one fifth of all baby foods sold in the UK. Other organic foods available are fruit juices, chocolates, bottled sauces, alcoholic beverages, herbs and spices, sugar, tea and coffee.
- Retailers across Europe have been working with suppliers to develop a wider range of organic food products both in terms of private label and own brand products. An increasing proportion of new products are being launched as private label products, which is indicative of the level of activity in the area by retailers. A total of 284 new organic food products were launched during the January 1998 to August 1999 period with over 40 per cent of these in the dairy and bakery sections.

**The Irish Market: Limited Local Supply**

- The total market for organic foods in Ireland is currently estimated to range between £20 and £25 million or less than one per cent of the total retail food market. Lack of year-round availability of Irish supplies however, has meant that as much as 70 per cent of all organic food sales are imported.
- A narrow product range, dominated by fruit and vegetables, meat and to a lesser extent dairy products, and a relative concentration of sales in the larger urban areas are some of the principal features of the Irish market.
- The amount of land farmed organically currently stands at over 32,000 hectares (including land in conversion), four times the area farmed five years ago. There are some 1,000 producers, operating relatively small holdings and concentrated in the west and south of the country. The area farmed organically, at less than one per cent of the total is among the lowest in Europe. The corresponding figures for Austria and Switzerland are both at eight per cent with Denmark at six per cent and the UK at two per cent.
- The principal organic enterprises on Irish farms are beef (64 per cent), lamb (22 per cent) and vegetables (9 per cent). Other categories such as dairy, grain and pigs are cited by only one per cent respectively of organic producers as their main enterprise.

**Irish Consumers:
Positive Attitude to Organic Food**

- Over a third of Irish consumers now buy organic food at least once every three months. The

*Irish market for organic food is valued at £20 - £25 million*

*One third of Irish consumers buy organic food every three months*

*Only 6% of consumers claim to be familiar with any of the Irish Organic symbols*

*Irish organic food production is expected to grow around 30% per annum over the next three years*

average monthly spend on organic food is just over £20 per household with most being spent on fruit and vegetables followed by meat and dairy products.

- The majority of organic food purchases tend to be in urban areas, which currently account for almost 60 per cent of sales.
- Supermarkets are the most popular outlets for organic food with 62 per cent of Irish consumers listing them as their main source of purchase. However, in more rural areas local schemes, butchers and greengrocers remain relatively more important accounting for one third of sales.
- Only 6 per cent of consumers claim to be familiar with any of the Irish organic certification symbols. A futher 15 per cent are familiar with the Soil Association Logo which is a further indication of the strong presence of imports on the market. Only 17 per cent of consumers know what the Irish symbols represent. Of consumers that purchase organic food, 31 per cent were familiar with any of the Irish symbols.
- Almost 70 per cent of consumers that don't purchase organic food give the high cost of organic food as the main reason. Generally consumers recognise there is a need for a premium to compensate producers for the lower yields under organic systems but once this premium goes above 20 per cent consumers are less likely to try organic food.
- The organic food products that "non-buying consumers are most likely to try first are fruit and vegetables at 81 per cent, meat (47%) and dairy products (30%).
- With most households tending to spend only around £20 per month on organic food, it seems that consumers who purchase organic food tend to buy specific products across categories rather than buying all organic versions of a certain category.

### An Opportunity for Irish Suppliers

- The market for organic food in Ireland lags behind developments in many other developed European retail markets. There is a clear opportunity for the Irish organic sector to firstly minimise import levels on the domestic market and ensure that Irish producers can benefit from the growth in the sector and secondly in the longer term to develop an export trade.
- Organic food production in Ireland is expected to grow by 20-30 per cent per annum over the next three years. However, given the current high level of imports in the sector, this growth may be insufficient to reduce our reliance on imported supplies, especially in the fruit and vegetable and processed organic food areas just to meet existing demand.
- Irish consumers, now with European disposable income levels, are driven by similar concerns about the health of themselves and their family. An organic market share of five per cent would represent a retail market value of over £200 millions, an almost eight-fold increase over current sales levels.
- In the UK, the market is predicted to grow from its current level of Stg £450 million to £800 millions by 2002. Given the existing significant access through conventional Irish supply routes to the British multiple retail sector, Irish organic suppliers would be in a strong position to capture a significant market share.

### Issues for Irish Suppliers

- The limited development to date of the Irish market is largely a reflection of the failure of the supply base to respond to meet demand. This is indicated by the level of interest expressed by retailers as well as the relatively high level of imports despite the availability of relatively substantial price premia.
- The indications are that organic farming is not perceived by the majority of farmers as representing a viable commercial opportunity. Conversion to organic farming requires a major commitment by producers involving a strict adherence to organic farming methods and a two to three year conversion period during which outputs are largely marketed at conventional prices.
- At the same time producers are uncertain about viable outlets for their products, in the absence of appropriate contractual arrangements, and the premiums they might achieve. The processing sector is under-developed, constrained by the lack of supply, and there is an absence of co-ordination along the supply chain.
- Information about market demand at retail level is similarly not communicated in the co-ordinated manner required to provide the appropriate signals along the supply chain. Accordingly, producers are unable to assess the

level of opportunity and supply requirements that would enable them to commit to organic farming and make decisions about production levels.

- In the meat sector in particular, organic produce in some cases is being sold as conventional food produce with producers unable to find an organic market for their produce. In a situation where supply is not sufficient to meet demand it is crucial that all existing organic produce is co-ordinated in a manner that allows it to be sold as such.

**Recommendations**

- National development strategies have been instrumental in driving the market in the more developed organic food markets across Europe. With the sector in Ireland lagging behind most European countries it is important that all parts of the industry work together to develop a clear national strategy for organic food production. This would involve setting targets for the sector and developing a strategy to maximise the growth of the industry over a specific timeframe. The recommendation in the Agri-Food 2010 report to establish an Organic Development Committee is therefore to be welcomed.
- In a country such as Ireland where there is a relatively small organic food sector it would seem beneficial to have a single organic certification standard to cover all organic food products. Notwithstanding the difficulties in harmonising the different standards, it would serve to avoid the confusion that currently exists where only 6 per cent of consumers recognise any of the logos used by the Irish certification bodies. This standard could be based around the EU legislation, which would mean that it would have international recognition. It would also allow the development of a single logo that could be used to market and promote Irish organic food to both domestic and overseas consumers.
- There continues to be a requirement for detailed research into how organic farming can be carried to its maximum efficiency under Irish conditions. Research currently being carried out by Teagasc marks a very positive step in this direction. In order for this work to have the maximum benefit for Irish producers it is important that the research results are widely disseminated. This will allow producers to see at first hand how organic farming can be carried out to maximum efficiency under Irish conditions. It is also important that market requirements are communicated effectively to producers. This can be best done through processors or retail customers working with producers to communicate the types of products required.
- There is a need for ongoing market intelligence regarding trends in the market for organic food both in Ireland and overseas. Information is required on the actual level of production and further growth prospects as well as assessing trends in consumer attitudes and requirements. Bord Bia will continue to further develop its market intelligence function in this area and provide regular updates to the sector.
- With demand in Ireland outstripping supply it is important that all food produced under organic farming systems are identified and sold as such in order to improve the efficiency of the supply chain. A possible way of ensuring this would be to establish a database of all organic producers in Ireland covering their enterprise type and the products sold. This would provide producers and processors with the facility to identify potential outlets/suppliers of various organic food products and serve to reduce the loss of these products to the conventional food market. This will require full participation by all interests in the sector and should be a priority for the proposed Organic Development Committee.
- There is still confusion amongst consumers as to what the organic label actually means. If the market is to attract increasing numbers of consumers it is important that they are made aware of what is involved in organic farming and how they know if a product is organically produced. Consumer information material such as leaflets and other point of sale material would prove beneficial in attracting more consumers to organic food. Bord Bia is willing to support an industry initiative to develop consumer education leaflets and brochures.

# Marketing of Organic Food: Bord Bia Programmes

This latest report by Bord Bia identifies clear potential for the development of the organic food sector in Ireland. It is also clear that significant challenges confront the sector in fully realising this potential. Bord Bia's market development and promotional programmes, at home and overseas, equally accommodate the development of opportunities in growth market segments such as organic foods. In addition, specific programmes and activities have been designed to further support the development of the sector;

### 1. Market Intelligence:

- **Consumer Surveys in the Irish market** –Trends in consumer attitudes and purchasing behaviour, using the research in this report as a benchmark.
- **Monitoring Production Trends** – Including annual surveys of production levels by existing producers and new entrants.
- **A database of Processors, Distributors and Wholesalers** – This list would provide information on the companies involved in the organic food sector in Ireland including data on the types of products produced, size of operation, export capability (if any) etc.
- **Organic food pages on Bord Bia website** – A special section on the website dedicated to organic food. This will include information on market trends as well as a list of the key players involved in the sector.

### 2. Quarterly Organic Food Publication

Bord Bia intends to publish on a quarterly basis a newsletter dealing with market trends in Ireland and Internationally. Areas covered will include;

- Trends in supply and demand
- Organic initiatives overseas
- New product launches
- EU Policies and Developments

This publication will be distributed to all the key players currently involved in the sector and also conventional processors and suppliers.

### 3. Small Business Programme

Bord Bia's small business programme is open to organic food companies. The services that this can provide to companies include;

- **The provision of food marketing**

**information, counselling and advice** – This would involve assisting companies in developing products and organising workshops where potential problems are discussed and possible solutions outlined.

- **Trade Development Services** – This involves introducing companies to buyers and helping them develop relationships through inward buyer missions. We also work with companies to improve access and distribution to customers through the development of relationships with transport/logistics and distribution firms.
- **Promotion and Marketing campaigns** – This includes participation at trade fairs, which gives small firms the opportunity to develop sales to both the retail and foodservice sectors in Ireland and overseas markets.
- **Presentations to Retailers and foodservice companies** – The objective of such presentations is to highlight the availability of Irish organic food and also target key buyers within these companies that could provide potential outlets for organic food companies.

### 4. Consumer Information

Bord Bia will support industry initiatives designed to increase the level of information available to consumers.

### 5. Industry Workshops

A one-day industry workshop with the aim of providing companies with up to date market statistics and future projections as well as identifying opportunities and threats facing the industry.

### 6. Overseas Office Network

Bord Bia's overseas office network is available to assist organic suppliers identify and develop market opportunities with buyers.

# Regulatory Framework for Organic Agriculture

## Definition of Organic Farming

IFOAM, The International Federation of Organic Agriculture Movements defines organic agriculture as follows;

*"Organic agriculture includes all agricultural systems that promote the environmentally, socially and economically sound production of food and fibres. These systems take local soil fertility as a key to successful production. By respecting the natural capacity of plants, animals and the landscape, it aims to optimise quality in all aspects of agriculture and the environment. Organic agriculture dramatically reduces external inputs by refraining from the use of chemo-synthetic fertilisers, pesticides and pharmaceuticals. Instead it allows the laws of nature to increase both agricultural yields and disease resistance"*

The Welsh Research Institute has outlined the main characteristics of organic farming. These can be summarised as follows;

- Protect the long term fertility of soils by maintaining the level of organic matter, encouraging soil biological activity and by careful mechanical intervention.
- Weed, disease and pest control rely primarily on crop rotations, natural predators, organic manuring, resistant varieties and limited thermal, biological and chemical intervention.
- The extensive management of livestock, recognising their evolutionary adaptations, behavioural needs and animal welfare issues with respect to nutrition, housing, health, breeding and rearing.
- Building up the nitrogen self sufficiency of soil through the use of legumes and biological nitrogen fixation as well as effective recycling of organic materials including crop residues and livestock manures.
- Careful attention to the impact of the farming system on the wider environment and the conservation of wildlife and natural habitats.

In the EU context, the organic production method is defined in Council regulation (EEC) No. 2092/91 of 24th June 1991. This regulation states that:

*" The indication in the labelling, advertising material or commercial documentation, which are considered by the consumer as a reference to the organic production method are reserved by Regulation (EEC) No. 2092/91 for the products produced in accordance with that regulation"*

In practice organic operators (producers, processors or importers of 3rd country produce) must be registered with the competent authority (DAFRD in Ireland) and be subject to inspection by an inspection body approved by the competent authority. The inspection system is used to verify that organic operators are in compliance with the requirements of regulation 2092/91 as amended.

## Legislation Governing Organic Agriculture

The organic production method relating to farming and food production is governed by Council Regulation (EEC) No. 2092/91, which controls the production, processing and labelling of organic plants and plant products. This regulation was agreed in 1991 and came into force in 1993. On the 19th July 1999 Council Regulation (EC) 1804/99 was agreed and this will extend the provisions of 2092/91 to organic livestock production and marketing. This regulation comes into effect on 24 August 2000 and will of the first time set down an EU standard for organic crop and livestock production, processing and marketing. Up to then, each approved private company operating in the livestock area have their own set of standards for organic livestock and livestock products.

There are a number of bodies in each member state that are responsible for the inspection, control and certification of organic products. Although the council regulations set the minimum EU standards for the organic production method, it does permit the competent authority of a member state to apply a higher standard in respect of organic

# Irish Organic Certification Symbols

livestock and livestock products produced within its own territory provided these rules do not inhibit free trade in products that comply with the requirements of the regulation.
The main areas that the EU regulations cover include;

- It sets down a system of converting land and livestock to organic farming.
- It outlines practices that must be used in organic farming and gives lists of inputs for soil fertility, pest and disease control.
- It describes the inspection systems that must be in place to ensure the regulation is being adhered to.
- It provides guidelines for the processing, processing aids and use of ingredients in organic food.
- It includes specific labelling rules, which are designed to provide consumers with an assurance that produce sold is organic.

In 1995 there was an amendment made to regulation 2092/91, which agreed to divide organic processed foods into two categories depending on the level of organic ingredients present, namely;

1. **Organic** – This label can be used when the product contains a minimum of 95% organic ingredients.
2. **Made with Organic Ingredients** – This label can be used when a product contains 70-95% organic ingredients. The actual percentage of organic ingredients used in the product must also be shown on the label.

### Organic Certification in Ireland

The Department of Agriculture, Food and Rural Development oversees organic agriculture in Ireland. They govern the sector based on what is set down in the EU regulations on organic farming. The Department has a representative on the EU working group on organic agriculture, which consider the current regulation and any problems that need to be addressed.
To carry out the inspection of organic operators under regulation (EEC) 2092/91 in respect of crop and crop products the Department of Agriculture has approved organic inspection bodies for Ireland. At present there are three approved inspection bodies in Ireland, namely;

- **Irish Organic Farmers and Growers Association Limited (IOFGA)**
- **Organic Trust Limited**
- **Demeter Standards (Irl) Limited**

From 24 August 2000 onwards inspection bodies must be approved to carry out inspections of both crop and livestock organic operators. The inspection arrangements post 24th August 2000 are currently under consideration.
Currently each body has its own manual, which sets out detailed standards for the production, processing and marketing of the different crops/livestock that need to be met to qualify for their organic symbol logo. Each body has its own logo. From 24th August these manuals must conform to the standard laid down by regulation 2092/91 as amended.
Currently each manual divides practices and processes into the following categories;

1. **Recommended** – Practices are fully recommended and conform to EU regulations.
2. **Permitted** – Allowed to be used in symbol standard production, subject to qualifications. Conforms to EU regulations.
3. **Restricted** – Not fully compatible with organic practices and should not form a major part of the organic system.
4. **Prohibited** – Not permitted in organic farming. However, from 24th August 2000 the standard as set down in the EC Regulation will apply.

*Conversion period for organic farming ranges from two to three years*

## Conversion Period

Before producers become certified organic producers they must be working to organic standards for a period of time known as a conversion period. The length of conversion depends on the type of enterprise that the producer is involved in. Generally the conversion periods are as follows;

- **Arable and Horticultural crops** – two years up to the time of sowing or planting
- **Grass based systems** – two years up to the time of using grass
- **Perennial crops other than grassland** – three years up to the time of harvest

The conversion period may be lengthened or reduced by the inspection body subject to approval by DAFRD.

Produce from farms in the conversion period may be sold as "In-Conversion" if the following conditions have been met;

1. A conversion plan has been approved by the inspection body
2. The land and production has been inspected and registered with the conversion scheme
3. Up to the time of harvest there has been a conversion period of at least 12 months from the last use of materials not permitted in the organic standards

These products may be labelled as "*product under conversion to organic farming"* provided it is done in a manner that does not mislead consumers.

While the REPS scheme is an incentive for producers to move towards a more extensive type of farming it remains significantly different from organic farming in the sense that it allows the use of artificial fertilisers, pesticides, antibiotics and vaccines as are normally used under conventional farming methods. Organic farming doesn't permit the use of these substances and requires a significant change in farming methods to maintain healthy crops and livestock without the use of chemical substances.

## Financial Assistance for Producers converting to Organic Farming and food production

The grants available to producers and processors that are converting to organic farming can be summarised as follows;

1. **Supplementary Measure 6 of the Rural Environment Protection Scheme** (REPS) – This measure provides additional payments to participating farmers who wish to convert to or continue with organic farming methods. To be eligible for this producers must be inspected by an approved inspection body, must register with the Department of Agriculture, Food and Rural Development and must farm in accordance with an agri-environmental plan drawn up by an approved REPS planning agency for a period of five years. However, in order to avail of this grant producers must commence conversion to organic farming at the start of their five-year REPS plan. The rates of payment that are available in addition to £122 per hectare under the REPS scheme are as follows:

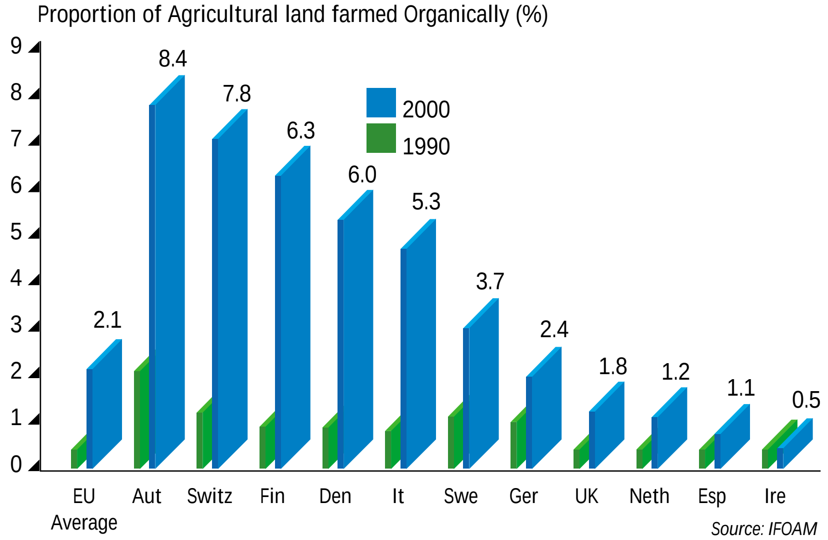
- **Farms > 3 Hectares** – Annual payment of £142 per hectare up to a maximum of 40 hectares for the two years that producers are converting to organic production. This payment reduces to £71 per hectare for the remaining period of the plan
- **Farms < 3 Hectares** – Annual payment of £190 per hectare for producers during the two year conversion period followed by an annual payment of £95 per hectare thereafter provided at least 1 hectare is under organic fruit or vegetables.

2. **Scheme of Grant aid for the Development of Organic Farming under the National Development Plan** - Under the National Development plan agreed by the Government in 1999, a total of £6 million was allocated for the development of the Irish organic sector during the 2000 – 2006 period. While final details as to how this money will be made available to the industry have still to be finalised it is likely to focus on assisting;

- On farm investment in equipment and facilities to improve the marketing of organic produce
- The development of processing facilities and marketing capabilities for firms involved in the organic food sector.

# EU Market for Organic Food

*2% of agricultural land in Europe is farmed organically*




*Source: IFOAM*

Organic food continues to be one of the fastest growing segments of the European food market. The value of organic food sales has increased by £3 billion (Euro 3.8bn) since 1990 to reach an estimated £4.5bn (Euro 5.7bn) during 1999. The annual growth rate over the last few years has been in the range 20-30 per cent depending on the product category with the strongest growth taking place in the organic milk sector according to research carried out by *Leatherhead Food RA*. While organic food represents only around two per cent of the overall food market, the strong growth in demand for organic food across Europe is forecast to continue with latest estimates from *Promar* predicting that organic food will account for up to seven per cent of the total food market by 2005.

## Area Farmed Organically

Currently there are almost 3 million hectares or two per cent of the total agricultural area under organic farming systems across Europe involving almost 114,000 organic producers. This compares with just half a million hectares and less than 20,000 producers in 1992. The countries with the highest levels of organic farming tend to be those that have a strong national structure that actively encourages organic farming methods. The countries with the largest proportion of land being farmed organically are Austria and Switzerland with eight per cent followed by Denmark and Finland at around six per cent. However, Italy has the largest area devoted to organic farming at almost 800,000 hectares followed by Germany at 420,000 hectares.

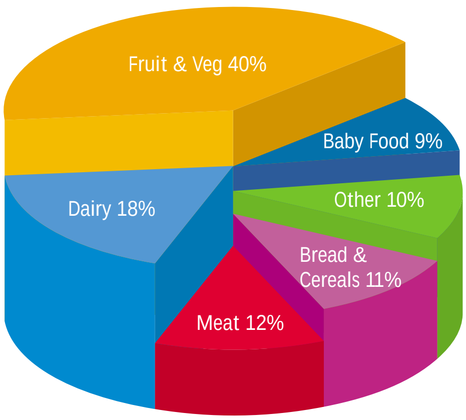
## Main Organic Food Products

The organic food market across Europe continues to be dominated by primary food products such as fresh produce, dairy products, meat and cereal products with very limited development of processed organic foods to date. Fruit and Vegetables account for an estimated 40 per cent of the total organic food sales. Dairy products are becoming increasingly important within the organic food market and currently account for 18 per cent of sales while meat represents 12 per cent of

*Fruit and vegetables account for 40% of organic food sales*

*Market for organic meat is currently worth £550m*

the total. Bread, other cereal based products and baby foods are the other major organic food products available. The following chart gives a breakdown of organic food sales by product type:




European Organic food sales by product (%)
*Source: Leatherhead Food RA*

### Fruit and Vegetables

The major suppliers of fruit and vegetables across the EU are the Netherlands, Italy and Spain with the major importers being Germany and the UK. However, a growing proportion of produce is being imported from non-EU sources such as Argentina, Israel and Chile. Vegetables are the largest organic sector and this is mainly due to the fact that they tend to be cheaper than organic fruit as they are more easily grown in most countries. The main organic vegetables are potatoes and carrots, which according to Leatherhead Food RA account for 33 and 30 per cent of total sales respectively.

*65 per cent of organic food sales in Denmark are dairy products*

### Dairy Products

The importance of dairy products within the organic sector varies considerably between countries. For example, in Denmark, dairy products account for 65 per cent of all organic food sales whereas in the UK they only represent around eight per cent. The organic dairy sector continues to be dominated by milk, which accounts for over half of total sales. Yoghurt represents around 30 per cent of sales while cheese accounts for 12 per cent.

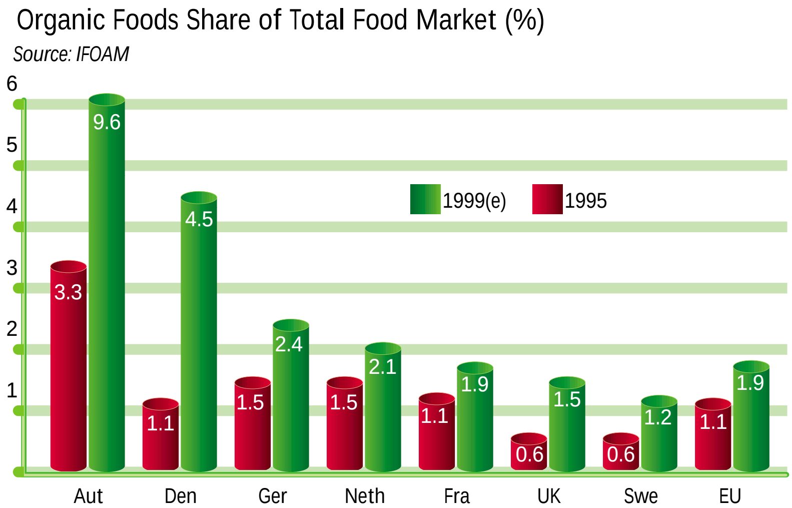
Denmark has the most developed market with the organic share of the total dairy market standing at 20 per cent. However, in some countries such as Austria the supply of organic dairy products is greater than the demand with the result that almost half the volume being produced is sold as conventional product. A similar situation is beginning to emerge in Denmark and this has resulted in a halving of the price premium available over the last 18 months to 10-15 per cent. This is expected to lead to increased volumes of organic milk products from these countries becoming available in other EU markets resulting in a more competitive market environment for domestic supplies.

### Meat

Demand for organic meat has increased strongly over recent years, especially since the BSE crisis in 1996 with increasing numbers of consumer's looking to organic meat as they perceive it to be a safer alternative to conventional meat. Other problems such as classical swine fever in Germany and the Netherlands have also helped the market, which is currently estimated to be worth around £550 million annually. However, as is the case with dairy products there are large differences between markets regarding sales of organic meat with Northern European countries dominating sales. Beef is estimated to account for almost 80 per cent of total organic meat sales followed by lamb at 12%. Organic beef and lamb can be produced considerably cheaper than other meats as production systems are naturally grass based whereas pork and poultry require organic grain which can be very expensive and difficult to source.

### Other Foods

Organic bread and other cereal products are also becoming more important with Leatherhead Food RA reporting that it is the second largest organic food segment in France and the UK. The main market is for organic bread but breakfast cereals, biscuits and pasta are also more readily available. A strong growth area within the European market has been organic baby foods with one fifth of all baby foods now sold in the UK being organic. Other organic foods available include fruit juices, chocolates, bottled sauces, alcoholic beverages, herbs and spices, sugar, tea and coffee.




*Organic foods share of total food sales is highest in Austria at 10 per cent*

**Retail Organic Food Market**

In terms of the retail market for organic food, Germany has by far the largest market with organic food sales valued at almost £1.6bn (Euro 2bn) during 1999. This compares to £550 million in France and £450 million in the UK. Northern European countries also have good retail markets with organic food sales in Sweden and Denmark valued at £200 million in 1999. The overall output of the organic food sectors in Italy and Spain is valued at £570 and £250 million respectively. However, the value of the retail market in these countries is significantly less as they export around 60 per cent of their output.
Organic foods share of the total food market is highest in Austria and Denmark at 10 and 5 per cent respectively. The figure in these countries is boosted by very strong sales of organic dairy products, especially milk. Organic foods share of the market in other European countries is as follows; Germany, France, the UK and the Netherlands two per cent and Sweden one per cent. The main reasons for the higher sales in Northern European countries include;

- Higher consumer awareness of environmental issues
- Consumers are more sensitive to use of pesticides, chemicals etc
- Strong national support for the sector
- Retailer initiatives have pushed the market forward

Southern European countries in particular have poorly developed domestic markets for organic food and producers are principally geared for export markets with Italy and Spain exporting almost two thirds of their organic food production. These countries tend to naturally use fewer pesticides and chemicals and therefore environmental issues are not as important for consumers. Also, a large proportion of consumers would not have the disposable income necessary to be able to pay the premium prices commanded by organic food products.

**Breakdown by Product type**

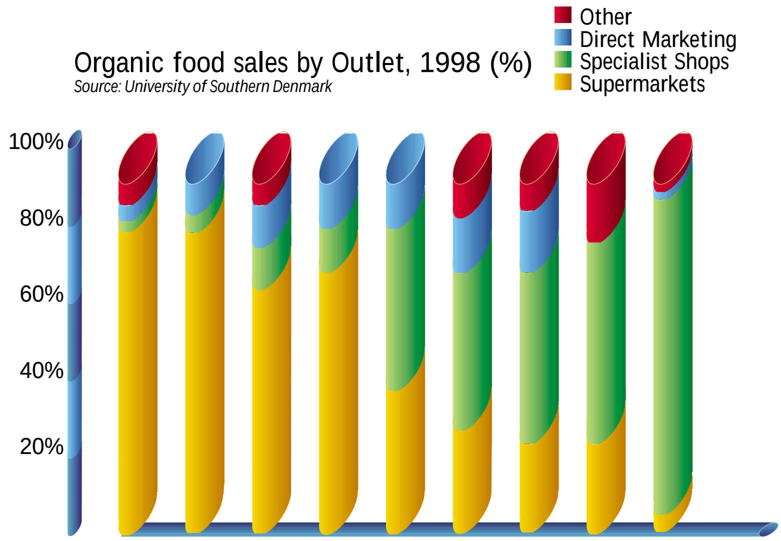
Organic milk tends to be the product with the highest market share in most countries reaching just under 20 per cent of the overall milk market in Denmark and 10 per cent in Austria. However, despite this, it is estimated that up to 40 per cent of organic milk is being sold at conventional prices. Organic vegetables share of the total market range between 2 and 8 per cent. The share of the market accounted for by organic cereal products varies from two per cent in Austria and Sweden to five per cent in Finland. Other products such as meat and fruits generally account for around one per cent of the total market.

Imports of Organic Food

A strong feature of the organic food sector across Europe is the very high level of imports in most countries where 60 – 70 per cent of their requirements are imported. This stems from the fact that sufficient domestic supplies are not available to meet consumer demand. The UK for example imports

*Imports tend generally to account for 60-70% of organic food sales across Europe*

*Supermarkets account for over 50% of sales in most outlets*




| | Swe | Den | UK | Aut | Fra | Ger | Bel | Ita | Neth |
|---|---|---|---|---|---|---|---|---|---|
| Other | 5 | - | 5 | - | - | 9 | 5 | - | 2 |
| Direct Marketing | 2 | 8 | 6 | 18 | 16 | 19 | 19 | 17 | 4 |
| Specialist Shops | 1 | 2 | 15 | 9 | 46 | 46 | 55 | 60 | 76 |
| Supermarkets | 91 | 90 | 74 | 73 | 38 | 26 | 23 | 23 | 18 |

70 per cent of its organic food sales. The countries with the lowest import requirements are Denmark, Sweden and Austria at 25 and 30 per cent respectively.

The main suppliers of organic food products within the EU are Italy, Spain and the Netherlands. However, considerable volumes of organic food are imported from non-EU countries with the main suppliers being Argentina, Chile, South Africa, Israel and New Zealand. Latin American countries alone have over 500,000 hectares under organic management. Around 80 per cent of their total output is exported with the EU market being the principal destination.

The main products that are imported from other European countries tend to be fruit and vegetables as well as pasta and other cereal based products. A large proportion of imports from non-EU countries tends to be fruit with other products such as spices, grains, livestock products and teas becoming increasingly popular.

## Organic Food Sales by Outlet

During the late 1980's and the early 1990's, sales of organic food were dominated by health food stores. However, over the last five years or so there has been a significant change in the distribution of organic food products and while specialist shops and local distribution remain very important outlets for organic food, supermarkets now account for over 50 per cent of total sales in most European countries.

The market for organic food increased very strongly in most countries once supermarkets became actively involved in the sector. The main reason for this is that when supermarkets gave increased shelf space to organic food it opened up the possibility of purchasing organic food to a large number of consumers that would not have gone specifically to health food stores or other outlets to purchase organic food. When consumers were offered the choice of purchasing organic food as part of their normal shopping routine a significant number of them starting buying organic food on a regular basis.

Supermarkets have also become increasingly involved with producers and suppliers with a view to maximising the production of organic food products. This development has helped all parts of the industry develop and has played a significant role in driving the sector forward.

*Health stores remain strong in Germany and the Netherlands*

In some markets health food stores still have a large proportion of the business with the best examples being Germany and the Netherlands where they respectively account for 46 and 76 per cent of total sales. Other points of sale for organic food include home deliveries, open market stalls and the internet where companies are setting up websites where organic food can be purchased and delivered to your home. An example of this would be Planet Organics in the UK. Another area that is being developed in Austria is the idea of "soft tourism". This is based on the theory of getting tourists involved in purchasing locally produced products during their holiday and even after their holiday ends. The selling point behind this is that by ordering local products tourists can relive an aspect of their holiday.

## Organic Food Brands

By and large the European organic food market remains very fragmented with most companies involved in the sector being either small or medium sized. A significant number of the large food companies in Europe now offer some organic food products although they remain very small compared to their mainstream products. To date very few strong brand names have emerged and this is largely due to the fact that the organic food market up to now has been based mainly on primary foods such as fruit and vegetables, meat and milk.

This situation is likely to change as more value added/prepared food products are developed within the organic sector. The most recognisable organic brands at the moment would be one of the baby food brands most notably Hipp, the German manufacturer. An interesting development across all European markets has been the increasing number of retailer own brand products, which gives a clear indication of the growing interest in organic food by the major retailers. This is particularly evident in new product developments such as organic ready meals where retailers have played a key role in their development.

## Consumer Price Premiums

Generally the consumer price premium for organic food products across Europe tends to be in the range 25-30 per cent. However, there can be significant variations in the level of price premium depending on the type of product, the time of year and the country where it is sold with consumers paying a price premium of up to 150 per cent in some markets for vegetables and cereal based products.

The price premium being paid by consumers for organic vegetables varies from a low of 20 per cent in Denmark and Germany to over 200 per cent in Italy with the average premium tending to be in the range of 30-70 per cent. A similar picture is evident for cereal based products with Denmark and Germany having the lowest level of premium at 20 per cent rising to 175 per cent in Italy. The price premium for fruit is generally in the range 20-150 per cent with the majority of products achieving a premium of 50-80 per cent.

The premium paid by consumers for organic milk is one of the lowest within the organic sector at 10-80 per cent. The premium in Denmark, Sweden and Austria the most developed organic milk markets, tend to be in the range of 10-30 per cent with most products having a premium of less than 25 per cent. In other markets the premium for organic milk products tends to be in the range 25-80 per cent.

*Very few strong brands have developed to date due to the fragmented nature of the sector*

**Consumer Price Premiums by Product type (% over conventional price)**

| Country | Vegetables | Cereals | Milk | Potatoes | Fruit |
|---|---|---|---|---|---|
| Sweden | 30-100 | 10-100 | 15-20 | 30-100 | 100 |
| Denmark | 20-50 | 0-20 | 20-30 | 20-50 | 50-100 |
| Finland | 95 | 64 | 31 | 78 | n/a |
| Austria | 40-80 | 40-50 | 10 | 50 | 50-60 |
| Germany | 20-100 | 20-150 | 25-80 | 50-100 | 20-150 |
| Italy | 50-220 | 125-175 | 20-50 | 70-130 | 50-100 |

*Source: University of Southern Denmark*

*Consumer price premiums tend to vary strongly depending on the type of product and season*

The level of price premium being paid by Irish consumers is similar to other markets with large variations depending on the type of product involved. The premium for organic fruit and vegetables can vary from 35 to 120 per cent while dairy and meat products tend to attract a price premium of between 25 and 40 per cent with white meats getting a considerably higher premium when available.

**Future Prospects**

As supplies of organic food continue to run below demand a price premium is sustainable as well as necessary for the sector to remain viable and meet higher production costs. However, the fact that the retail price of some organic produce is more than double similar conventional products is inhibiting the growth of the organic food sector in Europe. The sector has the potential to develop to up to seven per cent of the European food market over the next five years but if the price premiums being charged to consumers are maintained at current levels it will make it more difficult for this to be achieved. Based on consumer research carried out across Europe a premium in the range of 20-25 per cent is likely to prove more sustainable in ensuring the longer term development of the sector rather than some of the price premiums evident in the table above.

*Datamonitor* expect the organic price premium to fall by five per cent by 2004 with the reduction being driven by sharp price reductions in France, Germany and the UK. The private label share of organic sales is expected to increase by 10 per cent during the period. Supermarkets are expected to continue to become more involved in the sector and a lot of their focus will be on reducing prices by sourcing from bigger suppliers and improving distribution networks.

*The second set of proposed standards were published in March*

# US Market for Organic Food

Similar to the trend that has been taking place in Europe over the last five years, organic food production in the United States has shown very strong growth with the market now estimated to be worth $ 6.6 billion. Over the period 1994-98, the market had an annual growth rate of almost 25 per cent according to figures contained in *Datamonitors* Natural Organic Food and Drinks report. Organic food is now estimated to account for over one per cent of the total US food market. While the amount of land under organic management has increased by over 150 per cent since 1995 to reach 900,000 hectares, it still accounts for less than 0.3 per cent of all agricultural land in the United States.

### US Definition for Organic Agriculture

There have been moves in the United States since the late 1980's to create a national program for organic agriculture. In 1989, a bill to create such a program was introduced and was passed as part of the farm bill in 1990. This legislation became known as the Organic Foods Production Act (OFPA). Responsibility for creating the program was assigned to the USDA. The main areas that the program was to cover include;

1. To establish national standards for the production and marketing of organic food
2. To assure consumers that organic foods are produced to a specific standard
3. To facilitate interstate commerce in organic food

In late 1997, the first set of proposed national standards were published. These contained detailed guidelines for the production and handling of organic food products. It included a list of banned and approved substances, labelling guidelines, USDA accreditation of state and private certifiers as well as guidelines for dealing with imported organic food products. The USDA invited comments from the public on these standards and over a 90 day period received almost 300,000 comments. The main bone of contention from the public was the allowance of human waste, irradiation and sewer sludge to be used in certified organic products. Another issue was the allowance of genetically modified plants to be used under organic farming systems.

These comments resulted in the withdrawal of the proposed standards and having taken all issues raised into account new proposals were announced on 7 March 2000. These new proposals reflect the recommendations made to the USDA's initial standards in 1997. They address the methods, practices and substances that can be used in producing and handling organic crops, livestock and processed foods. It also includes requirements for labelling, certification and the accreditation of certifiers.

In 1997, 41 organic certification organisations including a dozen state programs, conducted third party certification of organic production. The new rules require operators that grow or process organic foods to be certified by USDA accredited certifying agents. However, **farms or operators that sell less than $5,000 (Ir£4,300) worth of produce annually are exempt from certification.** However, they must still abide by national standards for organic products and labelling.

**The most significant changes from the original proposals are that the use of genetic engineering, irradiation and sewer sludge in the production of organic foods is prohibited.**

The specific practices and materials allowed by individual organisations may vary but the proposed standards require that they work within the guidelines. These standards include a national list of approved synthetic and prohibited nonsynthetic substances for use in organic production and handling.

The main points of the proposed standards can be summarised as follows;

### Crop standards

- Land must be farmed under organic management for 3 years before an organic crop can be harvested
- Use of genetic engineering, irradiation and sewer sludge is prohibited
- Soil fertility and crop nutrients to be managed

*900,000 hectares are farmed organically in the United States*

rough cultivation practices and supplemented ith animal and crop wastes and allowed nthetic materials

eference would be given to using organic eds and other planting stock but a farmer ›uld use a non-organic version under certain ›nditions

·op pests, weeds and diseases would be ›ntrolled primarily through organic anagement practices but when these aren't ıfficient, a biological, botanical or allowed nthetic substance may be used

**:stock standards**

ıimals for slaughter must be raised on an ·ganic operation from birth

oducer must feed 100 per cent organically ·oduced feed but could also provide allowed ineral and vitamin supplements

rganically raised animals cannot be given ›rmones or antibiotics

eventative management practices, including e use of vaccines can be used to keep animals ›althy

oducers would be prohibited from ithholding treatment from a sick or injured ıimal but animals treated would have to be moved from the organic unit

l organically raised animals must have access the outdoors

ıe public was invited to make comments on ese proposals for 90 days after the publication ıte of 13 March 2000. The USDA will then view the comments before submitting a final le for publication in the Federal Register. ıplementation of the regulations can begin hen the final rule is published.

**a Farmed Organically**

ıe amount of land that is being farmed under organic management in the United States has increased strongly over the last five years increasing from 370,000 hectares in 1995 to an estimated 900,000 hectares in 2000. This is the equivalent to 0.26 per cent of all agricultural land. It is estimated that there are currently 12,000 farmers involved in organic food production in the US.

Approximately two thirds of the organic farmland is used for growing crops with Idaho, California, North Dakota, Montana, Minnesota, Wisconsin, Colorado and Iowa the top producers. Colorado and Alaska had the largest amount of organic pasture.

*Two thirds of the organic farmland is used for growing crops*

**Main Organic Food Products**

Latest figures available from the USDA show that organic vegetable crops were produced on 20,000 hectares in 1997. Tomatoes, lettuce and carrots were grown on about a quarter of total organic vegetable area with a further third growing mixed vegetables.

Organically produced fruit and nuts were grown on almost 20,000 hectares during 1997 with grapes accounting for 40 per cent of certified acreage. This was followed by apples at 18 per cent, citrus (12 per cent) and tree nuts (10 per cent). Certified organic cultivated herbs were produced on over 2,600 hectares with the largest areas being farmed in California, Washington and Illinois. In addition to this, over 32,000 hectares of forests, scrublands and other natural areas for wild harvesting organic herbs were certified.

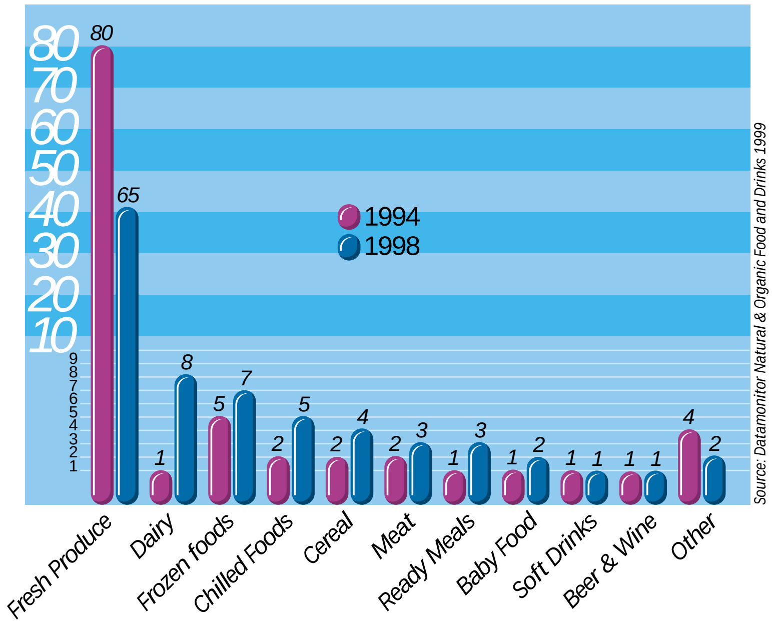
Organic wheat was produced on over 50,000 hectares in 1997 with corn grown on 17,000 hectares with oats and barley each accounting for a further 12,000 hectares. During the period, organic beans were being grown on almost 40,000 hectares. Organic hay and silage was being produced on 51,000 hectares.

; Certified Organic Livestock Numbers, 1992-97 (head)

| | 1992 | 1997 | % Change |
|---|---|---|---|
| er Hens | 44,000 | 537,800 | +1,123 |
| ilers | 17,400 | 38,300 | +120 |
| k Cows | 2,300 | 12,900 | +469 |
| :f Cows | 6,800 | 4,400 | -35 |
| :ep & Lambs | 1,200 | 705 | -42 |
| ȷs & Pigs | 1,365 | 482 | -65 |

*ce: USDA*

Breakdown of US Organic Food Sales
by Category 1994-1998 (% share)




*US market for organic food is currently worth $6.6m*

On the livestock side, the number of animals being reared organically in 1997 is shown in the table below; The main area of organic livestock production in the United States is poultry and eggs with numbers of laying hens and broilers amounting to 538,000 and 38,000 head respectively. Both these figures showed very strong growth levels during the 1992 to 1997 period. Numbers of organic dairy cows also increased considerably to reach 13,000 head. However, the number of beef cows were 35 per cent lower than 1992 at 4,400 head while sheep and lamb numbers at 700 head fell by over 40 per cent.

## US Retail Market for Organic Food

As has been the case in Europe, the market for organic food in the United States has been growing strongly over recent years. The organic market is now estimated to be worth $6.6 billion (Ir£5.7bn) with the market growing by an average of almost 24 per cent annually since 1993. This compares with an annual growth of only three 3 per cent in overall food sales. The growth in the market has been mainly fuelled by consumer concerns with health issues as well as growing concern regarding the long-term effects of industrial agriculture on the environment.

According to *Datamonitor*, fresh produce continues to dominate the organic food market in the United States accounting for 65 per cent of sales. However, their share of the market has dropped by 15 percentage points since 1994 when they accounted for 80 per cent of all organic food sales. It should be noted that in overall value terms the value of organic fresh produce sales have increased by over $1.5bn to $3.5bn. The largest growth area over recent years has been dairy products such as organic milk, which have shown an annual growth of around 100 per cent.

Dairy products now account for 8 per cent of the organic food market compared to just one per cent in 1994. Frozen organic foods have also shown very strong growth with their share of the business increasing by three percentage points to over seven per cent. The main selling point of these products is the convenience that they offer to consumers. Frozen organic vegetables also overcome the appearance problems that have put some consumers off buying fresh organic vegetables. Sales of organic baby food have also started to increase over the last couple of years and they now represent almost two per cent of the organic food market. The organic baby food market has been helped by consumers desire to

*Fresh produce dominates the market, accounting for 65% of sales*

*Supermarkets account for 28% of organic food sales in the US*

use products that they perceive to be the safest possible for their children.

**Organic Food Sales by Outlet**

In comparison to most European markets the retail market in the United States tends to be relatively fragmented. The leading supermarket chain only accounts for eight per cent of sales. The retail market in the US is dominated by a large number of small outlets.

Organic food products have been traditionally sold in natural food stores and local markets. Another method that has been quite popular was selling produce direct from the farm. However, as is the case in Europe the main outlet types for organic food have been changing over recent years. As increasing numbers of consumers became more aware of organic food products and the benefits they offered, the type of consumer purchasing organic food products started to change. This led to a situation where consumers were making a separate shopping trip to natural food stores to get the organic food items they required as they were not available in their local supermarket.

As a result, supermarkets began to stock organic food products and create a natural food section within the store. This has resulted in a large rise in the share of organic food purchases that are made in supermarkets as is shown in the chart below.

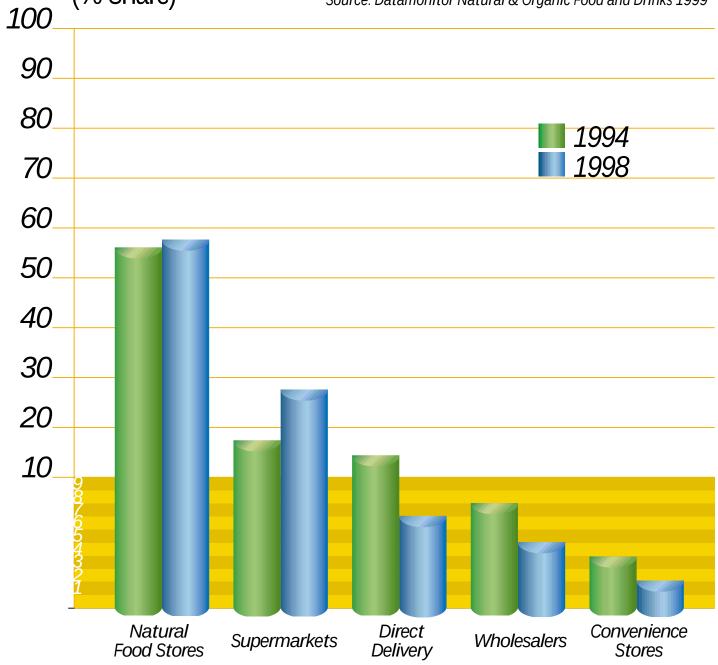
Supermarkets share of organic food sales has increased from 18 per cent in 1994 to an estimated 28 per cent by 1998 according to figures published by Datamonitor. However, natural food stores still account for the largest proportion of sales at 58 per cent of the total. The increased proportion of sales through supermarkets has been at the expense of direct delivery systems, wholesalers and convenience stores. While these outlets have maintained the value of their organic food sales they have not kept in line with the growth in the overall market.

The value of organic food sales through supermarkets increased by almost $1bn during the 1996 to 1998 period to $1.5 billion. As was the case with the overall market, fresh produces share of sales fell from 60 to 44 per cent over the period. The main growth area has been in the sale of dairy products, which now account for 11 per cent of the total. The other main products within the organic food section in supermarkets include frozen foods, bakery and cereal products, sauces, dressings and canned

*Natural food stores are the main outlet, accounting for almost 60% of sales*

US Organic Food Sales by Outlet
(% Share)

*Source: Datamonitor Natural & Organic Food and Drinks 1999*



products.

Fresh produce continues to dominate organic food sales in natural food stores, representing almost 40 per cent of the total. Part of this is due to the fact that most natural food consumers prefer to prepare their meals from scratch on a regular basis. However, despite this, convenience products are becoming increasingly important in these outlets.

### Sales of Private Label Organic Food Products

Over the last few years, there has been an increased level of development of organic private label programs in the US market. This has come about as a result of the strong success of large natural food chains such as Whole Foods Market. Many of the larger suppliers now have a proportion of their production earmarked solely for private label customers.

Sales of organic private label products in the US have grown slightly ahead of the overall organic market with an average annual growth of over 27 per cent recorded during the 1994-98 period according to *Datamonitor*. However, they still only account for around six per cent of total organic food sales.

### US Consumer Attitudes to Organic Food

Similar to the trend evident in Europe, US consumers have being showing an increased level of concern regarding the safety of the food they are eating. This trend started with the introduction of low fat and low sugar products in the early 1990's. Following on from this, increased numbers of consumers started to seek products that had been produced without the use of pesticides, hormones or artificial fertilisers. This led to a large upsurge in the demand for organically produced food in the United States as more consumers felt that as well as these foods being safer and healthier they were also helping to protect the environment. The number of food scares accelerated the move towards organic food over the last few years.

In response to this increased demand, the availability and range of organic food products sold on the US market has increased considerably. However, it has to be remembered that while the growth in the market has been very strong it was from an extremely low base and organic food still only accounts for just one per cent of the overall food market in the US. Nonetheless, with this strong growth level expected to continue, organic food is going to become an increasingly important part of the food industry in the United States with consumer demand continuing to drive the market.

US consumers of organic food largely tend to fall into two distinct categories namely;

1. Younger consumers that have been brought up with a high awareness of environmental issues
2. Older consumers that have become increasingly concerned about their health

The main differences between these groups is that the older consumers would tend to have a higher disposable income while younger consumers are more likely to rely on home replacement meals and convenience products.

The majority of organic food consumers tend to live in the major urban areas on the two US coastlines, particularly the west coast.

The factors that have led to the increased consumer demand for organic food in the United States are summarised by *Datamonitor* as follows:

- Health – Consumers perceive that because organic food is produced through using natural methods that it is better for them. The low fat, low sugar products are assumed to be better for you but consumers have the belief that organic food products go even a step further in improving the quality and healthiness of a product
- Prestige – The strong performance of the US economy has given consumers increased levels of purchasing power and they now feel that they can afford to buy more luxury food items. Organic food fits into this category due to its limited availability and higher cost.
- Quality and Value – Consumers purchase some organic food products simply because they feel that they taste better. An example of this would be organic tomatoes. Organic varieties tend to be sown for extra flavour and taste whereas conventional types tend to focus more on yields

### New Organic Food Products

**Over the past five years almost one quarter of all new food products launched in the United**

*Private label organic food sales only account for 6% of total organic food sales*

*One quarter of all new food products launched in the US over the last five years have been organic*

**States have been organic.** This has been helped by the increased demand for premium products by consumers, which organic food is particularly suited to. Also, organic food manufacturers have benefited from an increased trend towards meatless meals.

Overall annual new product development on the US market has increased on average by 25 per cent over the last five years. Within this, organic foods share of new products has increased from less than 15 per cent in 1996 to almost 24 per cent in 1998. The majority of new organic products that appear in stores are processed organic foods or beverages rather than raw materials. The main categories for new product development have been dairy foods, frozen foods and bakery & cereal products.

### Future Prospects

Industry experts expect that the average growth rate in the market for organic foods in the United States of 20-24 per cent will continue for the early part of this decade. As the market continues to grow the market structure from farmer to retailer is adjusting to the changing demands. The principal demand expected to come from this market over the next few years is for an increased supply of a wider range of organic food products. At present there are no recent market statistics available outlining the trend in the market except for the rise in the area of land that is being farmed under organic management. This makes it very difficult to predict the size of the market for the various organic food commodities.

The second version of the proposed national standards for organic food production which were published by the USDA in March for public comment appear to have been well received and it is increasingly likely that the proposed standards will be finalised later this year. The market would benefit from the new national regulation as it would clearly set out the rules that have to be followed for a product to be certified as organic. It would also gives consumers added confidence that the products they are buying are certified organic.

The main challenge facing the US industry is to ensure an adequate supply while maintaining product integrity. Consumers of organic food make purchasing decisions by considering not only price and quality of the product but also the perceived social and environmental benefits that organic production represents. Buyers expect that the organic characteristics for which they pay premium prices will be maintained as the product moves along the marketing chain and if this is not the case then they will turn away from the product.

The other main trend expected to occur in the US organic food sector is that small operators that have been involved in the area for a long time will come under increasing pressure from large new entrants into the sector. If they are to survive they will have to develop more efficient ways of bringing larger quantities of organic products to the market.

The prospects for the US organic food market over the next few years look very positive with the major issue for the industry being to supply sufficient volumes of product to meet the demand of US consumers.

*US market for organic food is expected to continue to grow by over 20% annually over the next few years*

# EU Consumer Attitudes to Organic Food

*Supermarkets have played an important role in increasing consumer awareness of organic food*

The increasing number of food scares across Europe over recent years has led to a strong rise in consumer demand for food products that have been produced without the use of pesticides or other chemicals and in more recent times free from genetic modification. This has meant that increasing numbers of consumers have been turning to organic food as a source of good quality, healthy food. Given the trends that have been particularly evident over the last few years this development is likely to accelerate further over the next decade.

While there is not necessarily a typical organic food buyer across Europe, consumers who purchase organic food are linked through common awareness of environmental issues and are quite sensitive towards the use of pesticides and other chemicals used in conventional food production. Generally, consumers of organic food are more likely to be in the following categories;

- They tend to be wealthier and as a result are able to pay the price premium necessary to purchase organic food products.
- Organic food buyers tend to be well educated and are often more affluent mothers with concerns about the health and welfare of their children. They are more likely to be town dwellers.
- Organic food consumers are more likely to be in the 35-65 age group and are consumers who see controlling what they eat as a very important aspect in maintaining their well being.
- Consumers across all spheres of the community purchase organic food and the vast majority of them have a common reason for doing so, namely their concerns about the environment, their health and that of their families and concerns regarding food safety.

These points are reflected in the fact that the more developed markets for organic food tend to be those with the highest awareness of environmental issues with consumers having above average disposable income. As a result, they are more likely to be willing and able to pay the price premium necessary for organic food. However, it has to be kept in mind that not all consumers who buy organic food fit into these criteria.

Where consumers purchase their food varies by country across Europe but generally speaking the supermarket has become the main outlet for organic food accounting for over 50 per cent of total sales in most countries. This is particularly evident in Northern European countries and the UK. Indeed, multiple retailers have been instrumental in the development of the sector in most of these countries. However, in countries that are not as developed other methods of sourcing organic food are common, namely box delivery schemes, open markets, internet purchasing and other home delivery systems.

The retail store works very much as a "shop window" for organic food and attracts consumers who would not otherwise seek out organic food products in specialist outlets. However, once they become familiar with organic food a considerable proportion of these consumers prefer to purchase their food, especially fruit and vegetables from a local producer or through an open air market. Nonetheless, for the continued development of the organic food sector across Europe, it is vital that multiple retailers continue to develop their own range of organic food products.

Problems regarding the consistent availability of organic food products have to some extent been inhibiting the level of growth in consumer demand for organic produce, as some consumers have become frustrated with the ad hoc availability of supplies. Also, there is an increasing consumer demand for more value added organic food products with a longer shelf life such as ready meals, fruit juices, hot beverages and other convenience products. As these products become more available and providing the price premium isn't excessive, it is likely that the share of the market held by organic food will continue to grow strongly.

**Future Development of European Organic Food Consumption**

There are a number of factors affecting consumer demand for organic food across Europe. A number of positive factors are helping to boost sales of organic food while at the same time there are some negative issues that need to be addressed if the market is to reach it's full potential.

The main positive factors driving the European organic food market include;

*Organic food is perceived by increasing numbers of consumers to be healthy, tasty and good for the environment*

- Organic food is perceived by an increasing proportion of consumers to be a healthier option than conventional foods due the fact that no pesticides or other chemicals are used during production. Organic farming is seen as a more natural way of producing food.

- Consumers that purchase organic food feel that it tastes better due to the natural system of production.

- Organic farming is seen as a positive way of promoting the environment, producers and the local region.

- When organic food is purchased direct from the producer, consumers have the satisfaction of knowing where the product comes from.

At the moment there is very positive consumer attitude towards organic food and this has resulted in a strong increase in sales over the last three years in particular. While this growth is likely to continue over the coming years there are a number of negative factors that could have potentially very serious consequences for the development of the organic food market. These include;

- There continues to be an insufficient consistent supply of products available to ensure a year round supply for consumers to choose from. If the proportion of consumers purchasing organic food is to increase it is important that they can source these products when they need them otherwise they will look for an alternative.
- The product range available continues to be quite limited and is mainly confined to primary foods such as fruit & veg, milk and meat. If the market is to grow it is important that consumers have a wider choice of products available to them.
- Price premium – Most consumers who currently buy or would be interesting in buying organic food products recognise the need for a price premium in order to cover additional costs involved in the production and distribution of these products. However, the situation at the moment where price premiums for some products can in extreme cases be up to 200 per cent seems unreasonable to many consumers. If the price premium for organic food is maintained it is likely to result in a slowing down of the growth in consumer demand that has been evident over the last few years.
While there are always exceptions to any rule, consumer research across Europe would indicate that consumers are willing to pay a price premium of up 20-25 per cent for organic food.
- Cynicism towards Organic food – The majority of consumers associate organic production systems with good quality, tasty and healthy food. However, some consumers are cynical regarding the authenticity of some of the organic products and feel that they may be paying organic premiums for conventional food products. In addition to this, the presence of "halfway house" products that claim to have been produced naturally and in an environmentally friendly way can be confusing to consumers. This highlights the critical need to have adequate labelling on products and the importance of educating consumers regarding exactly what organic means and how they can be sure they are getting a certified organic food product.
- The quality and appearance of organic food products can sometimes seem inferior to the equivalent conventional food products. It is very important that consumers are informed as to why they may not have as good an appearance as conventional products or consumers may feel that buying organic means buying an inferior product.

# Consumer Attitudes to Organic Food in Ireland and the UK

*Almost 60% of Irish consumers spontaneously associated organic food with being produced without the use of chemicals, additives and pesticides*

In line with the trends taking place in other European countries, the proportion of Irish consumers purchasing organic food is thought to have increased strongly over the last few years. In order to get a more accurate picture of public attitudes to organic food in Ireland, Bord Bia commissioned the MRBI to conduct a baseline survey of Irish consumers. The main objective behind this research was to firstly establish the proportion of Irish consumers that purchase organic food, where they buy it, what influences their purchasing decision and the barriers preventing other consumers from buying organic food. This survey is the first complete survey of consumer attitudes to organic food in Ireland and will act as a baseline measurement of the market. The survey was designed to allow a comparison of the results with those of a MORI survey carried out for the Soil Association in the UK in June 1999 to see if consumer attitudes to organic food in both markets vary.

The main results of this survey are summarised as follows;

- **28 per cent of Irish consumers buy organic food at least once a month.** The proportion of consumers that purchase varies between urban and rural consumers with almost 60 per cent of organic consumers being from urban areas while 40 per cent live in rural areas. A further seven per cent of Irish consumers purchase organic food at least every three months.
- **Irish consumers of organic food are more likely to be in the ABC1 socio-economic group, female, married from a small to medium sized household and more likely to live in urban areas.**
- **Almost three quarters of Irish consumers that purchase organic food spend less than £20 per month.** Fewer than 37 per cent spend less than £10 monthly while only 14 per cent spend over £50.
- **Supermarkets are the principal outlet for organic food in Ireland with 62 per cent of organic food consumers listing them as the source of purchase. Health stores and specialist shops are listed by 14 per cent of consumers.** Fruit and vegetable shops and butchers account for 7 and 9 per cent respectively while market stalls and farm delivery schemes represent 8 per cent of the total.
- **57 per cent of Irish consumers spontaneously associate organic food to be produced without the use of chemicals, additives and pesticides.** This figure rises to 82 per cent when prompted. A further 31 per cent associate it with being healthy and natural when asked unprompted with the figure rising to 67 per cent when prompted. Interestingly only five per cent of consumers spontaneously associate organic food with being expensive but when asked 56 per cent felt it was expensive.
- **Almost 85 per cent of Irish consumers do not recognise any of the main organic symbols that certify the product has been produced using organic farming practices**. Only six per cent recognise any of the Irish logos while 15 per cent claim to be familiar with the Soil Association Logo. When asked what the symbols represent, only 17 per cent of consumers knew what any of the Irish symbols represent.
- **Organic food is likely to start losing potential customers once it becomes over 20 per cent more expensive than the equivalent conventional product.** When organic food is 10 per cent more expensive 20 per cent of consumers will not buy it and this proportion rises to 48 per cent when it is 20 per cent more expensive and 73 per cent when it is 30 per cent above conventional food prices.
- **Of the consumers that do not purchase organic food 45 per cent spontaneously listed that it was because it was more expensive, which rose to 68 per cent when prompted.** A further 30 per cent stated that it wasn't available or the range available was poor when asked unprompted and this increased to 52 per cent when prompted. The appearance of organic food was spontaneously listed by 6 per cent of consumers.
- **The organic food products that non-buying consumers would be most likely to try first**

*When prompted, 68% of "Non buying" consumers said it was because organic food was too expensive*

*Irish consumers have a mixed understanding of what "Organic food" really means*

**would be fruit and vegetables at 81 per cent,** meat (47 per cent) and milk and dairy products (30 per cent).

### Consumer understanding of "Organic Food"

Irish consumers tend to have a mixed understanding of what the term "organic food" actually means. The range of answers given by consumers when asked unprompted to say what they understood the term to mean are listed out below.

**Unprompted understanding of the term "Organic Food"**

| Description | % of Consumers | |
|---|---|---|
| | Buyers | Non Buyers |
| No chemicals, additives or pesticides | 67 | 49 |
| Natural & Healthy | 35 | 27 |
| Expensive | 6 | 6 |
| Purer/Better for you | 14 | 9 |

The main principal answers given by respondents included food produced without the use of chemicals, pesticides or additives 67 per cent for buying consumers and 49 per cent for non-buyers.

A further 35 per cent of buyers associated it with being natural and healthy for you. Six per cent of all consumers spontaneously said that organic food was expensive.

When prompted over 80 per cent of consumers associated organic food with being produced without the use of chemicals, additives and pesticides. The other main attributes associated with organic food include that it is natural (65 %) and healthy (66 %). Organic food is seen by 33 per cent of consumers as being GM free while 40 per cent believe it is good for the environment. However, 56 per cent associated organic food with being expensive.

The situation varies between consumers that purchase organic food and non buyers with over 75 per cent of non buyers saying that organic meant no chemical or additives whereas 90 per cent of buyers listed this attribute. Almost 60 per cent of non buyers associate organic food with being healthy and natural compared to almost 80 per cent of buyers. Over 50 per cent of buyers felt organic was good for the environment while only 37 per cent of non buyers associated organic food with helping the environment.

A full breakdown is given in the following table, which also compares the results to the Soil Associations survey carried out during 1999.

**Prompted Understanding of "Organic Food"**

| Description | % of Consumers | |
|---|---|---|
| | Ireland | UK |
| No chemicals/ additives/pesticides | 82 | 59 |
| Natural | 65 | 47 |
| Healthy | 66 | 41 |
| Expensive | 56 | 37 |
| Good for the environment | 40 | 35 |
| GM Free | 33 | 35 |

*Understanding of the term "Organic Food" is broadly similar by both Irish and UK consumers*

Generally the answers given by both Irish and UK consumers are broadly similar but there some differences mainly in terms of Irish consumers more strongly associating organic food with being free of artificial chemicals and being a natural and healthy product. Also, 56 per cent of Irish consumers felt that organic food was expensive, which compares to only 37 per cent of UK consumers.

### Perceived Availability of Organic Food

When asked what organic food products they thought were available there was a significant variation between the "unprompted" and "prompted" replies.

When asked to list out the products they believed to be available without prompting consumers listed out mainly primary food products such as fruit and vegetables, meat and dairy products. However, when prompted, the range of products that consumers were aware of increased considerably with products such as pasta, soups, herbs, fruit juices and honey being listed. A comparison of the results is given in the following table.

### Perceived Outlets for Organic Food

When consumers were asked where they thought organic food was available to buy specialist food shops and health stores were the most common outlets listed with 70 and 58 per cent respectively of respondents saying the organic food was always available to buy in these stores. A further 7 per cent and 15 five per cent said organic food was sometimes available

*Lower consumer awareness of more processed organic foods*

Perceived Availability of Organic Food Products (%)

| Product Type | Buyers | | Non-Buyers | |
|---|---|---|---|---|
| | Unprompted | Prompted | Unprompted | Prompted |
| Beef | 36 | 63 | 23 | 40 |
| Lamb | 25 | 52 | 15 | 32 |
| Milk | 11 | 38 | 3 | 19 |
| Yoghurt | 21 | 59 | 5 | 31 |
| Potatoes | 76 | 89 | 55 | 74 |
| Carrots | 68 | 84 | 48 | 72 |
| Strawberries | 18 | 54 | 7 | 36 |
| Apples | 31 | 57 | 17 | 43 |
| Bread | 9 | 31 | 4 | 17 |
| Herbs | 3 | 18 | 1 | 8 |
| Pasta | 9 | 27 | 3 | 11 |
| Soups | 2 | 18 | 1 | 10 |

in these outlets.

Supermarkets also featured strongly in consumer responses with 42 per cent saying organic food was always available in Tesco, 37 per cent listed Superquinn, 26 per cent Dunnes Stores and 15 per cent put down Supervalu. In addition to this another 20-30 per cent said that organic food was sometimes available in these outlets.

The proportion of consumers that thought organic food was always available through farm sales, market stalls and delivery schemes were lower at 19, 14 and 11 per cent respectively. However, organic food was sometimes available through these outlets according to 20-25 per cent of consumers.

## Actual Outlets for Organic Food

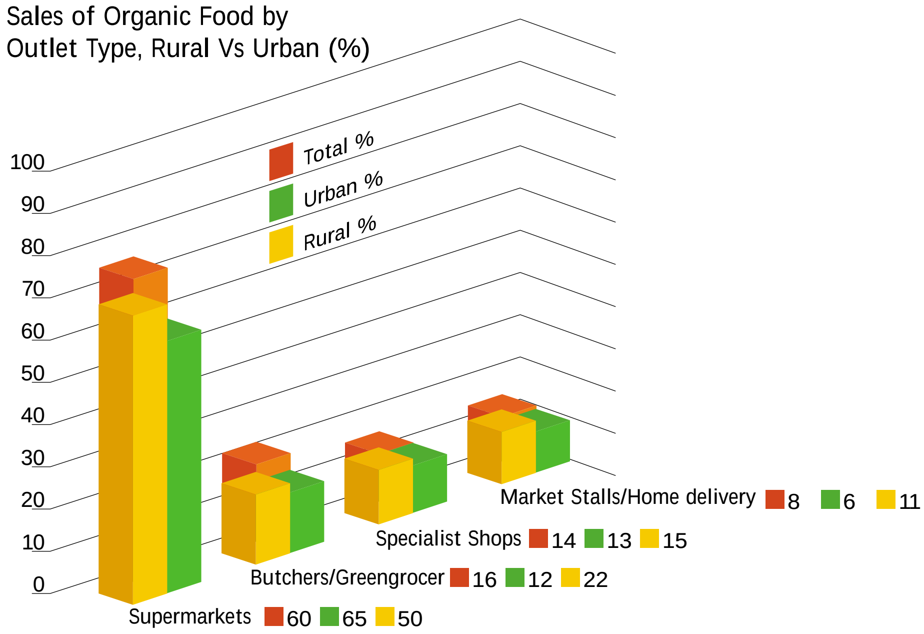
When asked where they bought organic food 60 per cent of consumers put supermarkets as a source of purchase while 14 per cent put down specialist shops. Butchers and fruit and vegetable shops were listed by 9 and 7 per cent of organic food consumers while a further 8 per cent said it was through farm schemes or market stalls. However, as can be seen from the above chart there was significant variation between urban and rural consumers.

Supermarkets are the most popular outlets in urban areas with 65 per cent of consumers listing them as a place that they have bought organic food while specialist outlets were listed by 13 per cent of consumers. The picture is somewhat different in rural areas. While supermarkets remain the main source of purchase at 50 per cent, other outlets such as butchers and greengrocers were listed by 21 per cent of organic food consumers as their place of purchase with market stalls and home delivery schemes listed by 11 per cent of consumers.

The breakdown of outlets for organic food in Ireland varies slightly to the UK where supermarkets account for 74 per cent of sales. Specialist outlets represent 17 per cent of sales while home delivery and other local based schemes accounted for the remaining nine per cent.

*Specialist shops and health food stores are the most common "Perceived" outlets for organic food*

*Butchers and greengrocers have a higher share of sales in rural areas*




*60% of consumers listed supermarkets as their source of purchase*

**Frequency of Purchase and Product Types Bought**

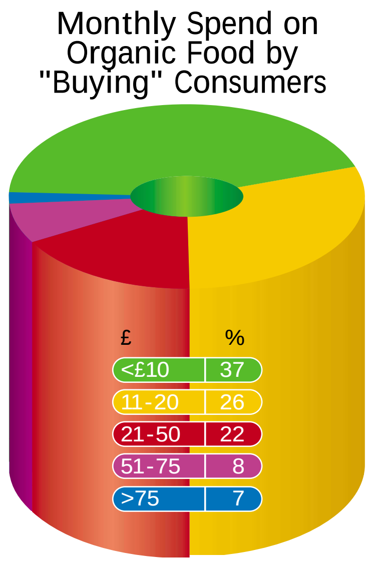
One third of Irish consumers have bought organic food at least once over the last three months with 16 per cent of consumers buying during the last week, 12 per cent in the last month and 6 per cent between one and three months.

Vegetables are the main products bought by organic food consumers Ireland with 85 per cent buying at least some organic vegetables. Around 60 per cent of organic food consumers purchase meat/poultry products while 57 per cent buy organic fruit. Organic dairy products are bought by 44 per cent of organic food consumers at least on an occasional basis.

The breakdown of the organic food products bought by consumers is different in the UK. Almost 80 per cent of organic products bought in the UK were fruit and vegetables followed by dairy produce at 40 per cent and meat at 27 per cent. The main difference in Ireland relates to the meat category being significantly more important and organic fruit being somewhat less popular.

**Amount Spent on Organic Food**

The average spend by Irish consumers who purchase organic food remains relatively low with 37 per cent of those who have purchased organic food over the last three months spending less than £10 per month. A further 26 per cent spend between £11 and £20 monthly. This means that almost two thirds of consumers that buy organic food in Ireland spend less than £20 per month. Only 14 per cent spend over £50 monthly. A breakdown of the amount spent by organic consumers on a monthly basis is given in the following chart.




The amount spent by consumers depends on their socio-economic grouping. Generally the spend tends to be highest from consumers in the ABC1 socio economic group with 27 per cent of buyers spending between £21 and £50 per month. A further 25 per cent spend between £11 and £20 monthly while 24 per cent spend less than £10. Within the CDE2 grouping 15 per cent spend between £21 and £50 per month with 29 per cent spending £11 to £20. However, over 40 per cent of buyers within this category spend less than £10 on a monthly basis.

### Reasons for Purchasing Organic Food

Among Irish consumers that have bought organic food over the last three months, 65 per cent spontaneously said it was because they felt organic food was healthy/better for you. A further 25 per cent say its because organic food contains no artificial chemicals or pesticides while 31 per cent believe that organic food tastes better.

When prompted 86 per cent said it was because organic food was healthy/better for you while 79 per cent said it was because organic food contains no artificial chemicals or pesticides. Over 53 per cent said organic food tasted better and was safer. Around one third of consumers purchased organic food because it is GM free. A comparison with the reasons given by UK consumers is shown in the following table;

### Prompted Reasons for Buying Organic Food over the last three months (%)

| Reason | Ireland | UK |
|---|---|---|
| Healthy/better for you | 86 | 53 |
| Has no artificial chemicals/pesticides | 79 | 48 |
| Tastes better than ordinary food | 53 | 43 |
| Is GM Free | 32 | 29 |
| Is better for the environment | 38 | 26 |
| Organically reared animals are treated better | 34 | 22 |

As can be seen from the table there is little variation between Irish and UK consumers in the reasons given for purchasing organic food. The only major difference is in the fact that Irish consumers have a stronger perception that organic food is healthy/better for you, it contains no artificial chemicals/pesticides and it tastes better.

### Reasons for NOT buying Organic Food

The fact that it is more expensive than the equivalent conventional food product is the spontaneous reason given by 45 per cent of Irish consumers for not purchasing organic food during the last three months. The other main reasons given include the lack of availability (26%), limited range of products (7%) and the poorer appearance of organic food (6%).

When prompted similar reasons are given although the proportion citing the fact that organic food is more expensive rises to 68 per cent. The lack of availability is listed by 52 per cent, poorer range by 26 per cent and the appearance by 12 per cent of consumers that do not purchase organic food.

The reasons given are similar to those coming from the Soil Association survey in the UK. The two sets of results are compared in the table below.

### Prompted reasons for NOT buying Organic food over the last three months (%)

| Reason | Ireland | UK |
|---|---|---|
| Is more expensive | 68 | 42 |
| Does not taste any better | 12 | 4 |
| Isn’t available when I go buy it | 52 | 27 |
| The variety or range is poor | 26 | 10 |
| Does not look very attractive | 12 | 4 |
| Is not healthy | 1 | 3 |

The reason given by consumers in both markets are similar although Irish consumers have stronger views on the price of organic food and the availability and range of organic food products on the market.

### Factors that may increase the level of Organic Food Purchases

The main factor listed by Irish consumers that could lead to them buying increased volumes of organic food was a reduction in the price with almost 53 per cent saying that this would be very likely to lead to increased purchases. A further 27 per cent said it would be fairly likely to encourage them to buy more organic food. The other principal factors include making more information available about organic food, increased availability and a wider range of products with 42 and 41 per cent respectively of consumers saying that this would be very likely

*Almost two thirds of Irish consumers that buy organic food spend less than £20 per month*

*Health, lack of artificial chemicals and the taste of organic food were the main reasons given for purchasing over the last three months*

Factors that would encourage increased purchases of Organic Food (%)

| Factor | Ireland | UK |
|---|---|---|
| Decrease the price | 53 | 57 |
| Increase the range or variety of produce | 41 | 22 |
| Have organic food available in more shops | 42 | 31 |
| Provide more information about organic food | 42 | 21 |
| If organic food was next to non-organic on the shelves | 27 | 22 |
| If there was a greater variety of tinned organic produce | 19 | 14 |
| If the appearance of organic food improved | 22 | 4 |

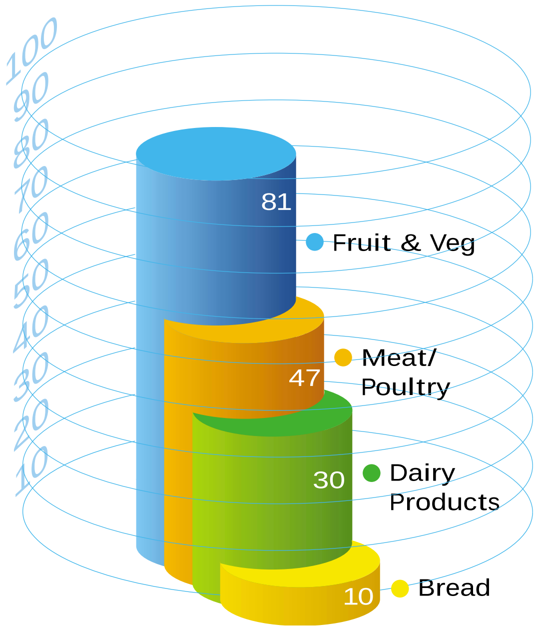
to lead to increased purchases. Over 38 per cent of consumers said that clearer labelling of organic food would be very likely to result in them buying more organic food while a greater range of processed products is seen as a key issue by 19 per cent of consumers.

A similar analysis was carried out in the UK last year and these results are compared with the views of Irish consumers in the table above;

### Organic Food most likely to be bought by "non-buying" Consumers

We asked non-buying consumers if they were to start buying organic food what products they would be most likely to try first. The answers received are summarised in the graph opposite. The type of product most likely to be tried depends to some extent on the socio-economic grouping and the location of the consumer but generally speaking they are mostly likely to try fruit and vegetables with 81 per cent of consumers putting it as their first choice. The other products that they are most likely to try include meat and poultry at 47 per cent, milk and dairy products at 30 per cent and bread at 10 per cent.

*Cost of organic food was the main reason preventing purchase by "non buying" consumers*




Organic foods that non buying consumers are most likely to buy (%)

### Effect of Price Premium on Consumer Attitudes to Organic Food

The likelihood of consumers buying organic food depends to a large extent on the level of price premium that it commands compared to conventional food. Over 50 per cent of consumers said they would be very likely to buy/buy more organic food if the price was reduced.

Generally Irish consumers seem to be willing to pay a premium of up to 20 per cent.

Once the level of price premium reaches 20 per cent over 48 per cent of consumers will definitely not buy organic food. The

Level of Price Premium Consumers are willing to pay (%)

| | Definitely Buy | Probably Buy | Possibly Buy | Would not Buy |
|---|---|---|---|---|
| An extra 40% | 4 | 5 | 14 | 80 |
| An extra 30% | 6 | 6 | 16 | 73 |
| An extra 20% | 14 | 16 | 21 | 48 |
| An extra 10% | 33 | 24 | 22 | 20 |

*A descrease in price, increased availability and range are the factors most likely to encourage increased purchases of organic food*

proportion of consumers that will not buy organic food increases to 73 per cent if the level of premium reaches 30 per cent.

At the moment retail price premiums for some organic foods in Ireland can be up to and above 150 per cent for some fruit and vegetables and white meat products depending on the time of year. While most consumers recognise the fact that organic food is more expensive to produce, the results of our survey indicate that almost half of Irish consumers turn away from buying organic food once the price premium goes over 20 per cent. Taking this into account it is clear that the future level of price premium charged to consumers will determine the extent to which the market for organic food develops.

Irish Consumer price premiums for Organic food

(% over conventional price)

| **Product** | **Price premium (%)** |
|---|---|
| **Beef** | **12-40** |
| **Lamb** | **20-35** |
| **Chicken** | **120-180** |
| **Milk** | **30-40** |
| **Yoghurt** | **20-40** |
| **Cheese** | **20-40** |
| **Potatoes** | **40-80** |
| **Carrots** | **80-140** |
| **Turnips** | **40-80** |
| **Apples** | **100-150** |

**December 1999**

**Consumer Awareness of Organic Labels**

All organic food that is sold at retail level in Ireland has an organic logo on the label. This logo is the symbol used to show that the product has been produced under the standards of a particular inspection body. The main logos that are evident in Ireland at the moment are shown below;

As part of our survey we asked consumers if they had ever seen these symbols displayed on food products before. The results indicate that consumers have a low awareness of the organic symbols with only 6 per cent recognising any of the Irish symbols. Around three per cent recognised the IOFGA logo with one per cent of consumers recognising the organic trust and demeter symbols.

Interestingly the most recognisable logo was the Soil Associations at 15 per cent. This is a UK symbol and is indicative of the level of imports that are present in Ireland.

A similar situation was evident when consumers were asked their opinion of what the symbols represented. Only 17 per cent of consumers knew that they indicated organic food production standards. Five per cent said that it meant food that was naturally grown or produced without pesticides. A further eight per cent knew that the soil association logo represented organic food.

The main conclusion coming from this is that

*Once the price premium for organic food reaches 20%, almost half of Irish consumers will not buy organic food.*

*Price premiums tend to be lowest in the meat and dairy product sectors*

83 per cent of Irish consumers do not recognise any of the main organic symbols on the market and that at least 70 per cent do not know what any of them represent.

### Importance of Certification Symbols

When asked how important it would be for an organic food product to have a label that certifies it was produced under specific circumstances if consumers were considering purchasing organic food, 71 per cent of consumers said it would be very important. A further 18 per cent said it would be fairly important while 5 per cent felt it was neither important nor unimportant.

Consumers were then asked if a retailer provided a label on the product that certified it was organic, to what extent would they trust it as a guarantee that the product was organic. Over 37 per cent of consumers said they would trust it completely while 38 per cent said they would trust it to some degree. When they were asked if they would trust an EU symbol, 45 per cent said they would trust it completely while a further 36 per cent would trust it to some degree. Over 45 per cent of consumers would prefer an EU symbol to a retailer symbol.

### Profile of Irish Organic Food Consumers

While there is no specific profile of an organic food consumers in Ireland they generally tend to fit into the following criteria;

- In the ABC1 socio-economic group
- Generally tend to be married and female
- More likely to be in the 35-54 age group
- Tend to be from small to medium sized households
- More likely to live in an urban area

### Conclusions

One third of Irish consumers buy organic food at least once every three months with 28 per cent purchasing monthly. The level of spend on organic food tend to be around £20 per month with 60 per cent of purchases taking place in supermarkets.

The cost of the organic food is a prohibiting factor that is preventing a large proportion of consumers from buying organic food with 53 per cent of consumers saying a drop in the price of organic food would be very likely to encourage them to buy. Fruit and vegetables are the organic food products that consumers are most likely to try first followed by meat and dairy products. Irish consumers generally have a very positive attitude to organic food. However, there is a high level of confusion among consumers as to what the term "organic" actually means. Also, there is a very low recognition of the Irish organic symbols by consumers. This suggests that the term "organic" is selling the product at the moment. However, if the Irish organic food sector is to grow it is important that consumers know how to recognise a certified organic product. Also, Irish organic produce needs to be clearly labelled as such so that Irish producers can benefit from the growth in the market.

# Retail Developments of Organic Food

*Supermarkets have become increasingly important outlets since the mid '90's*

Since the early 1990's, the distribution of organic food sales across Europe has changed significantly. At the start of the decade, health food stores and other specialist shops/markets were the principal outlets for organic food. However, the distribution channels for organic food have been gradually changing with an acceleration in the rate of change particularly evident over the last five years. This has resulted in multiple retailers becoming considerably more involved in most countries with supermarkets now accounting for an average of 50 per cent of all organic food sales in Europe. Their share of the business is highest in Denmark and Sweden where they account for 90 per cent of all organic food sales and in the UK where they represent over 70 per cent of sales.

The introduction of supermarkets as an outlet for organic food resulted in a number of key developments regarding the level of supply and demand within the sector. These include;

- **They introduced organic food to large numbers of potential customers** that other outlets or distribution channels would not have been able to do.
- They **highlighted the presence of an alternative to conventional food** for those consumers that had concerns regarding the safety of conventional products.
- They have **built up relationships with organic food producers and/or processors to develop the range of organic products** available in order to provide the maximum choice to consumers.
- The fact that increasing volumes of organic food are being sold through retail outlets has **highlighted the supply problems that exist within the sector** as they are not able to source sufficient volumes on a consistent basis to satisfy consumer demand. This can be a negative factor for consumers considering purchasing organic food and when this happens at retail level it affects a larger number of consumers than would be the case in other outlets.
- In order **to meet consumer demand, European retailers have been importing significant volumes of organic food** as the domestic alternative in not available. While this is understandable it is none the less helping imports get established in the market and makes it more difficult for domestic supplies to develop.

### Examples of Retailer Initiatives

In the more established organic food markets across Europe, retailers have been instrumental in the development of the sector. Some of the initiatives taken by retailers in these countries provide interesting examples for the Irish retail sector. A summary of some of the main initiatives taken includes;

### FDB in Denmark

Probably one of the best examples of how retailers have helped drive the market for organic food is the FDB retail chain in Denmark. FDB is the leading food retailer in Denmark with an almost 40 per cent share of the market. In 1993, FDB introduced organic produce to some of its stores. At that time the products stocked were principally milk and eggs. When they decided to introduce increased volumes of organic milk, FDB entered into a partnership with producers stating that they wanted to sell organic milk at a smaller price premium and that this in turn would lead to strong growth in sales. They dropped the price of organic milk from 40 per cent above conventional prices to just 20 per cent with both themselves and producers absorbing this reduction. This was designed to entice customers to try organic milk. This approach worked and demand increased beyond available supplies.

This change in retail policy at FDB gave the chain a good image and within a short period organic produce was considered to be a realistic alternative by most consumers. Since then organic food sales in FDB have grown at around 30 per cent annually and they currently stock over 800 organic lines in their stores with some of their stores such as Kvickly and Irma specialising in organic food. Organic food currently represents around seven per cent of total FDB food sales and they expect this to increase to 12 per cent by 2001.

This example is very interesting given the fact that the best route FDB saw to stimulating

*Organic food represents over 7% of FDB's food sales*

consumer demand for organic produce was by reducing the price premium to a level acceptable to more consumers. While the price premium was maintained for five years it started to come under pressure during 1999 as supplies started to exceed demand for the first time. Nonetheless, this move was instrumental in developing the market for organic milk in Denmark and they are now in a situation where they can start exporting increased volumes. It demonstrates that while a cut in the price premium may be difficult in the short term it can be crucial in securing the long term development of the sector.

**Sainsbury's in the UK**

The UK market for organic food is at a more similar stage of development to the Irish organic food market than most of the Northern European markets. While all the major retailers in the UK have been introducing new initiatives to develop the market for organic food, Sainsbury's have been particularly active. Organic food sales in Sainsbury's have more than doubled over the last year with weekly sales now running at over Stg£2.5m from over 600 organic lines. This compares to 1997 when Sainsbury's only stocked 42 organic lines with weekly sales figures well under Stg£1m. Sainsbury's have recognised the main problems that exist within the sector in the UK at the moment, namely lack of supply and some excessive price premiums. Currently only 30 per cent of organic food sold by Sainsbury's is produced in the UK with the remaining 70 per cent having to be imported. They believe that the first step has to be to increase the level of supplies so that they can firstly meet the increasing consumer demand and secondly reduce their reliance on imported products. Sainsbury's have introduced the following initiatives to help develop a consistent supply base for organic produce;

*During 1999, Sainsbury's agreed to purchase increased volumes of organic milk at a guaranteed price for the next five years*

- **SOuRCe** – This stands for Sainsbury's Organic Resourcing Club. The idea behind this group is that through a confidential web based service for its network of 18 UK organic suppliers they can provide immediate access to valuable industry information, contacts and news for it's members. The main objective of the service is to encourage industry partners to work together to mutually increase sales of organic produce with the ultimate effect of setting a realistic price premium for these products. The site can also prove useful in helping companies to source hard to find ingredients.

- **Sainsbury Organic Beef Producers Club** – In 1999, Sainsbury's announced that in partnership with one of it's existing beef suppliers it intended supporting Northern Ireland beef farmers who transferred to organic beef production methods through transitional period payments during the conversion period. In addition to this they agreed to purchase all beef produced by the farmer for the next seven years, therefore giving producers the confidence to produce organic beef secure in the knowledge that they will have a market for their produce. Sainsbury's see this as a way for them to expand their supply base while at the same time helping to give the organic meat sector a boost which may provide the impetus to increase production on a year round basis.

- **Guaranteed price for Organic Milk** – During the summer of 1999, Sainsbury's announced that it had made a five year commitment to purchase increasing volumes of organic milk at a fixed price of Stg. 29.5p per litre, exclusively from processors who are supplied by the organic milk suppliers co-operative (OMSCo). The volumes purchased will increase year on year from 30 million litres in 1999/2000 to 155 million litres in 2003/04. The OMSCo supplies over 85 per cent of the organic milk sold in the UK. Sainsbury's believe that this will help give producers the confidence to convert to organic production knowing that there will be a market available for their produce for the next five years at a fixed price.

- **Better in store merchandising** – Over the last eighteen months or so there has been a complete redesign in the merchandising of organic produce in Sainsbury stores. The main element of this has been to put all organic products in the same part of the store rather than having organic carrots beside conventional carrots and so on. It is hoped that this will make it easier for consumers to find organic products in store and this in turn will help to boost sales.

- **More product innovation** – In common with the rest of the major retailers in the UK, Sainsbury's are actively trying to widen the range of organic products that they have available. They are constantly working with existing suppliers in an effort to be able to supply an organic version of more of their products.
  They believe that the best growth potential in the organic food area is in the value added/convenience section of the business. These products represent an increasing proportion of consumers food purchases at the expense of primary foods and also given the fact that they have a longer shelf life it is easier for retailers to guarantee a consistent supply for consumers.

### Other UK Retailers

The other major retailers in the UK are also working on developing their organic range as they recognise the strong growth potential in the market. Retailers recognise the importance of developing their own supply base or else they are not going to be able to secure their own share of this growing business.

**Waitrose** are actively involved in the organic food market in the UK and have been voted the Organic Supermarket of the year for the last two years as part of the Organic food awards supported by the Soil Association. Waitrose now stock over 500 organic lines with this figure forecast to reach 1,000 lines by the end of 2000. Organic food sales are currently worth Stg.£ 2 million on a weekly basis in the supermarkets 121 branches. The main areas of organic sales in Waitrose are in the fruit and vegetable, dairy and baby food segments. At present 12 per cent of all fruit and vegetables are organic, 13 per cent of dairy products and 55 per cent of baby foods.

They recognise the need for a more consistent supply of organic food if the market is to reach its potential. With this in mind they launched the Waitrose organic assistance scheme in 1998, which is designed to increase the number of their producers that are farming organically. Waitrose supply these producers with advice and assistance with the conversion of their farm to organic standards and they also guarantee to source their organic products where possible from these producers. They believe that the conversion rate of Waitrose growers will help to reduce their reliance on imports, especially in the fruit and vegetable area. Also, all their organic meat is sourced from UK farms.

They have also launched a home delivery service for organic fruit and vegetables known as Waitrose Organic Direct, which is available for 24 hour ordering via the Internet. Waitrose are also due to launch organic pork later this year. Their supplies will initially be produced in partnership with one producer and will start off by servicing 30 of its stores. The Waitrose philosophy on organic food is that the consumer has the right to choose and it is vital for their business that they are in a position to be able to offer consumers the option to choose what they want.

Tesco have been strongly developing their range of organic food products over the last two years. Over the past twelve months or so they have moved from 200 lines in 50 of their stores to the latest phase launched in September 1999 which brought their organic range to 455 products in 300 of their stores with a core of 100 products in all their stores. Like Sainsbury's, they have moved towards block merchandising with strong emphasis on point of sale packaging and customer communication in the form of leaflets.

Since their most recent launch, organic food sales in Tesco have increased by 40 per cent with the best performance occurring in the grocery and bakery sections. Tesco believe that very good opportunities exist in the area of convenience foods, especially fish but that to build on this potential better availability of products is crucial, particularly in the meat area. Tesco are currently working with both producers and suppliers in an effort to overcome the supply chain challenges that exist. They believe that the key to maximising the development of the sector is through education of everybody involved in the supply chain from farmers all the way through to the final consumer.

ASDA have also been active in the development of the organic food market in the UK. Earlier this year they introduced a range of own label products to all of its 233 stores. This is in addition to their existing range of branded products. Asda's aim is to provide consumers with the widest possible range of organic food

*Block merchandising of organic food is becoming more popular in some Sainsbury stores*

*Waitrose has been voted organic supermarket of the year for the last two years*

*All Irish retailers are strongly increasing the number of organic product lines on offer*

products at the best possible price. In April they announced the provision of Stg.£3 million over three years to help the development of the UK organic food supply base. This money is aimed at helping producers during the conversion period from conventional to full symbol organic food production. They may use this money to pay producers higher prices than normal conventional reared animals during conversion rather than giving producers a cheque every year. It may also work to tie in producers on a longer-term supply agreement covering past the conversion period.

Asda's target is to sell Stg.£1 million of organic produce weekly by the end of this year. They also launched their own label organic meat range in May.

### Irish Retail Developments

In 1999, the value of the market for organic food in Ireland is estimated to have been worth in excess of between £20 and £25 million. The market has been growing at the rate of around 30 per cent annually over the last few years. Most major retailers have significantly increased the shelf space devoted to organic food products and have also highlighted the availability of these products through better in-store merchandising. Some retailers have begun to devote a section of the store to organic products so that the consumers can get all their organic products in the same area.

### Retail Sales of Organic Food

*Imports remain prominent on the market*

The number of organic product lines being stocked by Irish retailers has increased strongly over the last year or so with most increasing their number of product lines by around 50 per cent. The majority of products stocked by Irish retailers continue to be in the primary food area with the main categories including fruit and vegetables, meat and dairy products. In addition to this, there has been a steady rise in the number of more processed/value added organic food products available at retail level. However, the majority of these are being imported, as there is no Irish produced version available on the market.

Organic food's share of total food sales is estimated to be less then one per cent with the rate of growth varying by category. The largest category is fruit and vegetables, which account for around two per cent of total fruit and vegetable sales in Ireland. The largest yearly growth has been in the grocery market at around 100 per cent, albeit from a very small base while fruit and vegetables, meat and dairy sales increased by around 30 per cent.

### Distribution of Organic Food Sales

Generally the highest sales of organic food through retail outlets tend to be in more urban areas, especially areas where consumers tend to have a higher disposable income. However, there is a more gradual increase in demand occurring in smaller towns around the country. This is due to the fact that more products are starting to become available in stores.

### Source of Organic Food

As the supply of Irish organic food remains relatively small and seasonal in nature a substantial proportion of the organic food sold at retail level tends to be from imported sources. The level of imports tends to vary by product category with imports highest in the fruit and vegetable, value added and frozen organic produce sectors where in excess of 70 per cent of all sales are imported. Imports account for around 60 per cent of organic dairy product sales while red meats tend to be all produced in Ireland. The origin of imports varies significantly with the main EU sources being Italy, Spain and Denmark while imports from non-EU countries are mostly from South America, New Zealand, Australia and Africa. Imports tend to cost the same as Irish organic foods.

### Price of Organic Food

Average consumer price premiums for organic food in Ireland tend to be in the range of 25-30 per cent but can vary significantly depending on the product category and the time of year. Premiums of up to 150 per cent are evident in the fruit and vegetables and white meat sectors. The level of premium tends to fall significantly when supplies are at their peak with retailers reporting that it has started stabilise over the last year or so.

Retailers accept that due to the lower level of productivity on organic farms it is necessary to have a premium for organic food products. However, they are anxious that a reasonable premium is set that remains steady throughout the year with most feeling that a premium of 20 per cent is acceptable to consumers.

### Irish Retailer Initiatives to Develop Organic Food Sales

All of the major retailers in Ireland have put increased emphasis on the promotion of organic food within their stores over the last few years. The main initiatives taken include;

- **In-Store Promotional Material**
  Retailers have developed in store promotional material including point of sale leaflets, consumer information brochures and signage to highlight where organic food can be found within the store
- **Merchandising of Organic Food**
  The merchandising of organic food tends to vary by retailer. Most retailers have highlighted the presence of organic food either through block merchandising of organic food or by devoting prime shelf space, especially when new products are being launched. These initiatives have proved quite successful in highlighting the availability of organic food to consumers.
- **Magazine Articles**
  Most retailers have used their own magazine to give consumers information regarding organic food and what the term organic actually means. They have also used this to let consumers know about the range of organic food products available. This has helped increase consumer awareness of the availability of organic food at retail level.
- **Product Development Teams**
  In response to the growing consumer demand for organic food, Irish retailers have put together product development teams to secure a more consistent supply of products and also to widen the range of products that they have on their shelves. This involves them working with their current suppliers to source organic alternatives to conventional food products. This has had the effect of stimulating demand for organic food and also has helped give organic producers increased confidence to develop their production enterprises.
- **Developing Supplier Networks**
  In an effort to secure a more regular supply of product on a year round basis retailers have been working to develop links with organic food producers. This involves working to develop distribution systems, packaging facilities and working on ways of extending the season for their produce. This is designed to give the retailer a more consistent supply of produce and provide the producer with a guaranteed outlet for their produce.

### Issues Facing Organic Food Sector at Retail Level

While Irish retailers recognise the growth that is taking place in the organic sector in Ireland and the potential that exists, there are a number of issues that they feel need to be addressed if the market is to maintain it's development of recent years. These issues can be summarised as follows;

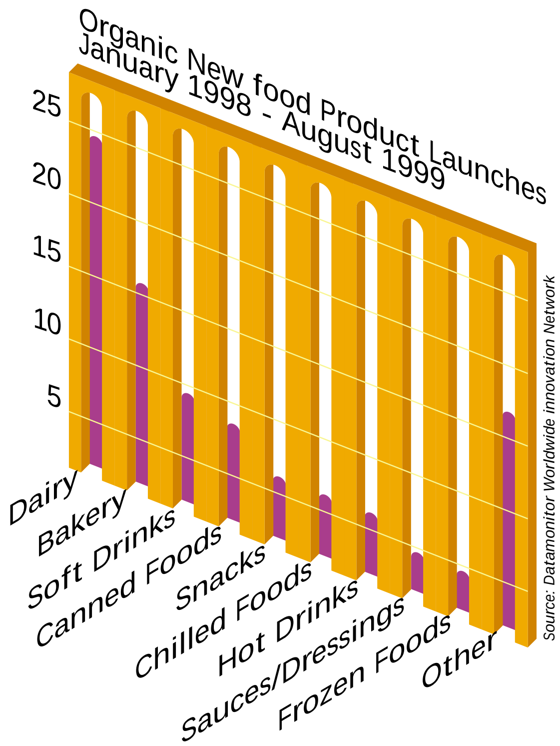
- The **development of a year round supply** of products. This is seen as the main issue that needs to be resolved if the market is to maintain its level of growth of recent years. The best ways of doing this is through increased partnership between producers, suppliers and retailers. In addition to this it is important that the quality of products are maintained throughout the year.
- A **wider range of organic food products** is needed in order to meet the increasing demands of consumers. Retailers are placing a stronger emphasis on the sourcing of more value-added products that may have a longer shelf life and therefore help to give a more consistent supply of products.
- The **distribution system** for some organic foods needs to be improved according to retailers with some products especially on the fresh produce side having a shorter shelf life due to a delay in delivery to store. This can also result in the appearance of the produce looking poorer than the equivalent conventional product.
- Retailers are anxious that the all necessary steps are taken to **ensure the safety of organic foods**. While retailers recognise the standards of the various inspection bodies they would like to see organic food being produced under quality assurance standards. Such a move would give an absolute guarantee that the product has been produced and processed to the highest possible hygiene and quality standards.
- **Price premium**. Retailers would like to see a more consistent level of price premium throughout the year rather than the current situation where there can be significant seasonal variations.

- There is a **need for clarity of the different organic standards** as they can be confusing to the final consumer. This could possibly be done through increased in store information being made available. Ideally most retailers would like to see one organic standard and symbol, as this would help remove the confusion of the different certification labels.

### Key Issues Facing Irish Retailers

The increased level of interest by Irish retailers in the organic food sector is a positive development that can lead to strong expansion in the market for organic produce over the coming years. Based on the initiatives taken by retailers in other European markets, Irish retailers can provide a key stimulus for the development of Irish organic food. The main areas in which Irish retailers can continue to play a strong role include;

- **Incentives to producers to convert to organic farming**. If retailers where to encourage producers to convert by giving them a guarantee to buy their produce for a set period (including conversion) it would help give them the confidence that there is a market for the product.
- **Develop supplier groups.** The development of producer groups by retailers or working with existing groups to specifically supply them with organic produce would result in a more regular volume of product being available to them while providing a group of producers with a guaranteed outlet for their produce.
- **Provide Advice and Technical Assistance**. The provision of technical specialists to advise organic food producers would help them to become more efficient. Also, retailers may be able to help them set up a distribution system that ensures produce gets to the supermarket shelf in the shortest time possible.




*An increasing proportion of new products are being produced as private label products for retailers*

# Processing of Organic Food

Over the last two years in particular there have been considerable changes in the processing of organic food products across Europe. There has been a strong move towards developing a wider product range by processors involved in the organic food sector. This has happened as a result of demands by both retailers and consumers for an increased range of organic products. Prior to this, there was limited activity in the sector by mainstream processors as the market was dominated by primary foods such as meat and dairy products. This trend towards more value-added products has signalled the first move into the sector by an increased number of larger processors.

Retailers have been working very closely with their suppliers to develop a wider range of products both in terms of private label and own brand products. An increasing proportion of new products are being produced as private label products for retailers, which is a reflection of the level of activity by retailers in the sector. The result of this has been evident in the large number of organic food product launches since the start of 1998. While the majority of these continued to be in the primary food area there has also been a movement towards increased numbers of organic processed product lines.

**New Product Development**

According to *Reuters*, there were 284 new organic product lines launched from the start of 1998 up to August 1999. The largest number of new products occurred in the area of dairy and bakery products, which together accounted for almost 40 per cent of all new product launches. A full breakdown is given in the graph above;

In the dairy sector a lot of the increase in the range of products was due to the higher availability of organic milk supplies. The fact that some of the organic milk production was being sold at conventional prices led to increased efforts to develop new products. The main dairy products that have been developed include ice creams, chilled deserts and functional milk drinks.

*Dairy and bakery products account for almost 40% of new product launches*

*The development of an information network would help processors determine the volume of products that will be available over the coming year*

Other areas that have seen considerable new product development in the organic sector include soft drinks, canned food, snacks and hot drinks. Processors across Europe are also looking at widening the range of organic baby foods available as this is seen as an area with very strong potential given the parental concern for the safety of their children.

Most of the canned food products that have been developed focussed strongly on offering organic alternatives to existing products. While there has been a strong growth in the number of chilled foods being developed there is also increased interest in the area of frozen foods as they are seen as offering an opportunity to guarantee a regular supply of product. New lines of frozen organic foods are being developed to target the convenience end of the market with the majority either being in the form of snacks or pizzas. The soft drinks area is becoming increasingly important to organic processors with much of the development again aimed at providing an alternative to conventional teas and fruit juices.

The development of a wider range of organic food products is expected to continue strongly over the next few years as retailers and suppliers alike try to grow the market by offering the maximum choice possible to consumers.

### Irish Processors/Distributors

In line with other European countries, Irish organic food processors have started looking at ways of widening their product range. However, a major constraining factor to date has been the lack of available supplies from Irish producers. This has led to a number of key processors/distributors having to import raw materials in order to supply a wider range of products.

The principal initiative taken by existing processors in the organic sector in Ireland over recent years has been the development of very close links with existing producers. Indeed, there have been a number of new products introduced ranging from organic yoghurts and cheeses to juices, organic biscuits and bakery products. Such developments have helped drive the growth in the market. However, existing organic food processors identify a number of key issues that need to be addressed to allow them expand their business and develop new products. These include;

- **Development of an information network** that can help processors determine the volume of product that will be available over the coming year. This would provide processors with the necessary information to plan their production levels and work with retail customers to increase the volume of product that is available in the market place be it through local schemes or retail outlets.
- The **supply base in Ireland needs to be expanded**. The best way of doing this is to provide conventional producers with clear information and advice on what is involved in converting to organic farming and help existing producers to maximise their production under organic farming methods.
- **Consumers need to be given more information** about organic food products. The type of information that needs to be made available includes demonstrating what is involved in organic food production and where organic food can be bought in their area. Also they need to be shown how they can be sure the food they are buying is certified organic.
- On the meat and dairy side it is vital that an **increased volume of organic feedstuffs** are available if there is to be a steady supply of product on a year round basis. At present there is a severe lack of organic cereals and this makes it very difficult for producers to finish animals or produce milk during the winter months.
- A **Harmonisation of Organic standards** would help to remove some of the confusion that exists among consumers at present when they see different labels on various products all saying that they have been organically produced. Processors welcome the new EU organic livestock legislation and are hopeful that it may remove some of the differences that currently exist between the different certification body standards.

### Issues for Irish Processors

There has been a strong increase in the number of organic food processors in Ireland over recent years. However, most remain quite small in size and not all possess their own processing facilities. This is especially the case in the meat sector. A lot of them rely to a large extent on agreements with conventional processors to slaughter and de-bone on their behalf, as the volume of product available to date would not justify building new facilities. This arrangement has generally worked quite well. However, the Irish organic food sector is reaching the stage where if it is to develop to its full potential there needs to be increased activity by medium to large sized conventional processors. The fact that some organic companies are already involved in leasing arrangements with conventional processors may provide the opportunity to develop more formalised partnership agreements to help expand the business. The main areas where the entry into the market of mainstream processors could affect the market include;

- Conventional processors can provide expertise in product development, packaging and marketing of food products. Existing organic companies have a high level of expertise in working with producers to develop a more consistent year round supply and through working together they could be instrumental in driving the organic food market forward in Ireland.
- Producers need to have the confidence to develop their enterprise and the only way of doing this is through demonstrating that there is and will continue to be a market for their produce both in domestic and overseas markets. The entry of more conventional processors into the organic sector would provide a strong confidence boost to producers that are currently involved in organic farming and may also act as a stimulus for more producers to convert.
- Processors need to develop a wider product range, especially in the organic meat sector in order to be able to use all the cuts from a carcase. At the moment only the hindquarter cuts are being sold as organic in many cases with a lot of the remaining cuts being sold at conventional prices. This has the effect of driving up the price of hindquarter meat and widens the price differential between organic and conventional product.

The level of interest shown by most of the larger mainstream processors has been limited to date with most feeling that the volume of product necessary for them to become involved is not yet available. However, attitudes seem to be gradually changing and over the last year in particular there has been an increased level of interest among conventional processors. Processors who are considering an involvement in the organic food sector need to be aware of the additional effort required to secure adequate supplies and that because of the small volume it can be quite labour intensive. However, if they are willing to put time and effort into the sector be it on their own or maybe in conjunction with producer groups or existing companies the entry of these companies into the organic food sector in Ireland becomes more feasible.

*A wider product range needs to be developed to meet the demands of Irish consumers*

*The lack of available supplies to date has been inhibiting the entry of more mainstream processors into the sector*

*Most organic farms in Ireland are located in the western part of the country*

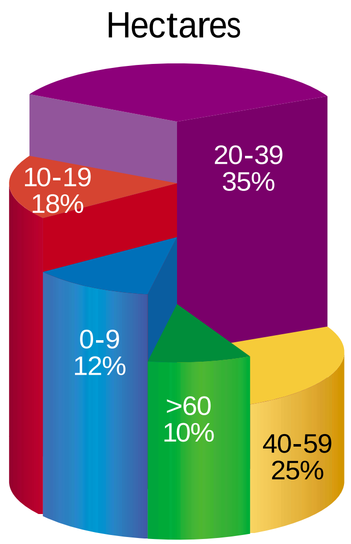
*Livestock production tends to be the main enterprise on most organic farms*

# Organic Food Production in Ireland

Similar to the trend in other European countries, the amount of land being farmed organically in Ireland has increased substantially in recent years and currently stands at over 32,000 hectares. This figure can be broken down into 22,000 hectares fully organic with the remaining 10,000 hectares in conversion. This compares to just 6,400 hectares in 1995. The number of producers has also increased sharply from 300 in 1995 to the current number of over 1,000. However, despite this, less than one per cent of land is farmed organically in Ireland. This is well below countries with more developed organic sectors, for example Sweden and Austria where nine per cent of land is farmed organically.
In order to get a clearer picture of what is being produced on organic farms in Ireland, Bord Bia commissioned a survey of producers in December 1999. This survey was based on a posted questionnaire, which was followed up by a phone call. A total of 220 producers responded to the survey. The main results of the survey are presented in this section.

### Regional Distribution of Organic Farms

The geographical breakdown of organic producers in Ireland shows that the majority of organic farming takes place in the west and south western parts of the country. For instance, Clare and Cork between them represent nearly 30 per cent of producers. The other main counties for organic farming are Kerry and Limerick at 8 per cent, Galway at 7 per cent, Leitrim at six per cent, Mayo and Tipperary at 5 per cent with Roscommon accounting for 4 per cent of the total. The proportion of producers farming organically on the east coast is significantly lower.
Organic farms generally tend to be below average farm size in Ireland with 30 per cent of farms being below 19 Hectares. While the average size of organic farms at almost 34 hectares is similar to the average conventional farm size it should be noted that a significant proportion of larger organic farms have a part of their land that is of marginal quality. A complete breakdown of farm size is given in the following chart.




Breakdown of organic farm size in Ireland (%)

The bias of organic farms towards the western part of the country may be partly responsible for the shortage of organic cereals in Ireland, as a considerable proportion of the land would not be conducive to tillage farming.

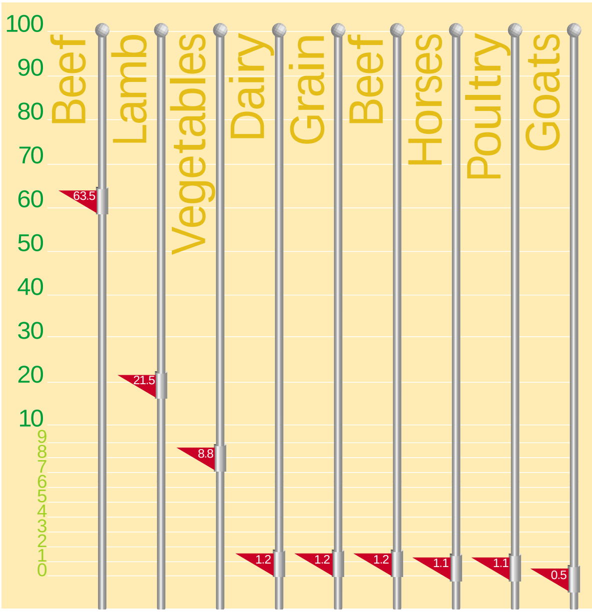
### Farming Enterprises

The majority of organic producers surveyed considered livestock production to be their main enterprise with almost 64 per cent listing beef production and a further 22 per cent putting lamb production as their primary type of farming. All other enterprises are considerably lower in importance as can be seen from the graph above.
The majority of producers have more than one enterprise on their farm so while most put livestock production as their main enterprise it is likely that they produce other products on their farm.

### Organic Food Production in Ireland

Based on the results of the survey we would estimate that the level of organic food production on Irish farms could be broken down as follows;

Breakdown of Main Organic
Farm Enterprises (%)




*Most farms tend to have more than one enterprise*

**Irish organic Food Production**

| Type of Enterprise | Production 1999 (tonnes) |
|---|---|
| Beef | 800 - 900 |
| Lamb | 200 - 220 |
| Vegetables | 1,500-1,800 |
| Fruit | 130-160 |
| Herbs | 20-25 |
| Milk (gallons) | 350,000 – 450,000 |
| Cereals | 1,200 – 1,500 |

### Beef Production

Almost two thirds of organic producers surveyed put beef as their main farm enterprise. Based on the results received we estimate that there are around 7,400 suckler cows on organic farms in Ireland. This is less than one per cent of the total suckler cow herd. There were in the region of 6,500 calves/weanlings and 2,800 finished animals on organic farms in December 1999. When the respondents were asked details as to the age of cattle when they sell them and what weight they are at the sale the following were the results that we received:

- **Steers** – On average steers were sold at 24 months. The average liveweight of the animals at sale was 500kg.
- **Heifers** – Heifers tended to be sold slightly younger at 23 months. The average weight of heifers at sale was 440kg.

There would appear to be a strong seasonal nature to organic beef production in Ireland with most producers selling their animals during the April to November period. Part of this is due to the fact that to finish animals during the winter months, additional organic feedstuffs are required, which are both expensive and quite difficult to source. This results in considerably increasing the cost of production for producers.

### Outlets for Organic Cattle

There is a wide range of outlets for organic cattle in Ireland and this may be partly due to the fragmented nature of the sector and the fact that there are few processors actively involved in organic beef. The graph below illustrates the different outlets currently being used by organic producers in Ireland.

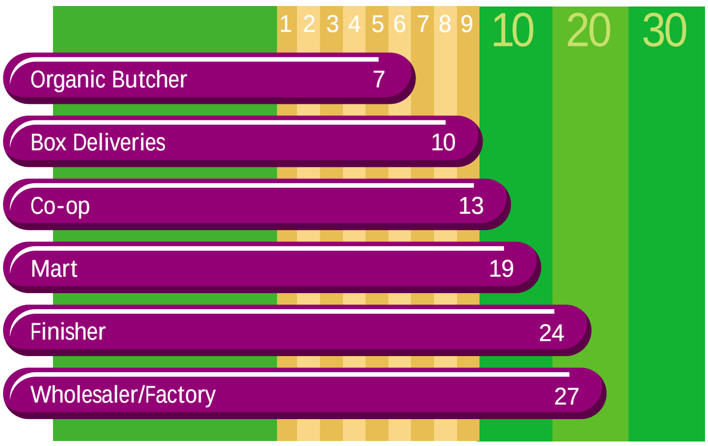
### Outlets for Organic Cattle

As can be seen from the chart the main outlet for organic cattle is wholesalers/factories, which account for 27 per cent of all sales. A further 30 per cent of animals are sold to either organic butchers, producer co-ops or through box

*It is estimated that there are over 7,000 suckler cows on Irish organic farms*

*At least 15% of organic cattle are sold at conventional prices*

Outlets for Organic Beef in Ireland (%)




delivery schemes (box of organic foods delivered to homes). Almost a quarter of all cattle are sold to finishers with the remaining 19 per cent sold through marts.

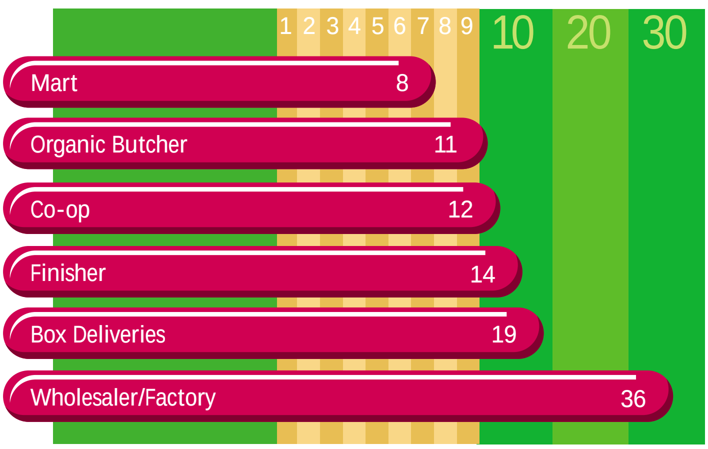
An interesting feature of the mart sales figure is that only a fifth of those who sold through marts stated that it was an organic mart sale. This would indicate that at least 15 per cent of all cattle that are being produced organically are being sold at conventional prices with the actual figure likely to be higher than this. Given the fact that supply is not sufficient to meet demand in Ireland it is vital that a system is set up to ensure that all cattle being produced on organic farms are sold as such to help maximise the supply potential.

**Lamb Production**

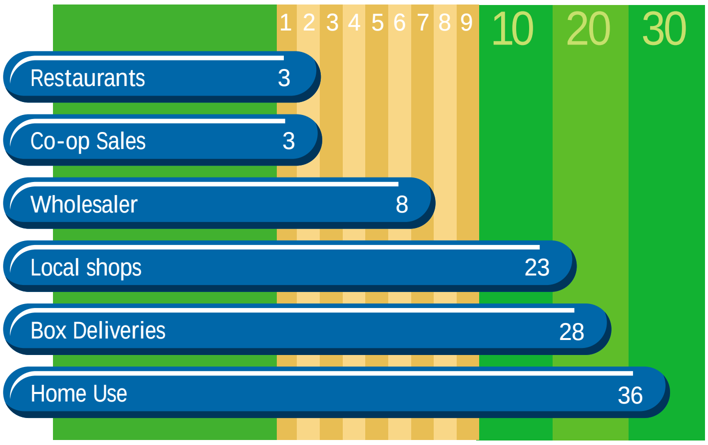
Most of the farms that have a beef enterprise also tend to have sheep on the farm. We estimate that there are 15,000 breeding sheep being farmed organically in Ireland. This equates to less than one per cent of the national sheep breeding flock. Sales of finished lambs during 1999 are estimated to be around 19,000 head. The average weight of finished lambs tends to be lower than under conventional farming with weights of 38kg given for early lamb and 40kg for main crop lambs.

*It is estimated that there are around 15,000 breeding ewes on Irish organic farms*

Outlets for Organic Lamb in Ireland (%)



Outlets for Organic Vegetables in Ireland (%)




*Over one third of organic vegetable produced in Ireland are for home use*

**Outlets for Organic Lamb**

As is the case with beef there are a wide range of outlets for organic lamb in Ireland .
The wholesaler/factory is the market for over 36 per cent of all organic lamb sales in Ireland. Box delivery schemes represent almost one fifth of all lamb sales, which is considerably higher than beef where they accounted for 10 per cent. Butchers and co-ops account for a third of all sales while finishers and marts represent 14 and 8 per cent respectively. As was the case with cattle only 30 per cent of sales to marts were listed as being to organic marts and therefore it is possible that at least 6 per cent of organic lamb is being sold at conventional prices. This assumes that all the lamb being sold to butchers and wholesalers/factories is commanding organic prices, which is considered to be unlikely.

**Fruit & Vegetable Production**

The main point coming from the survey regarding organic **vegetable** production in Ireland is that it tends to be on a very small scale. The average size of vegetable unit of those surveyed was 0.7 hectares (1.6 acres). The types of vegetables being produced by the respondents were 50 per cent root vegetables, 26 per cent protected vegetables, 2 per cent leaf vegetables with the remaining 22 per cent involved in mixed vegetable production.

**Outlets for Organic Vegetables (%)**

The range of outlets for organic vegetables is considerably different to the markets for organic meats as can be seen from the chart above.
Over one third of the organic vegetables being produced in Ireland at present are for home use by the grower.
Box delivery schemes to local customers account for over 28 per cent of the total while a further 23 per cent are sold to local shops. Almost eight per cent of vegetables are sold to wholesalers with sales to co-ops and restaurants accounting for just under three per cent each.
A similar picture is evident with regard to organic **fruit** production. The average size of fruit producer is just over 0.25 hectare or two thirds of an acre. The types of fruits that are grown can be broken down as follows:

| | |
|---|---|
| • **Top fruit (apples, pears etc.)** | **43%** |
| • **Soft fruit (strawberries etc.)** | **33%** |
| • **Mixed** | **24%** |

As is the case with vegetables a significant proportion of fruit is produced for home use with our estimate putting it at 26 per cent. A further 21 per cent is sold through box delivery schemes and 16 per cent to local shops. Almost one third of fruit is sold through other media, namely selling from source with a small proportion being sold to retail outlets.
**Herb** production is an area that has been creating a lot of interest over the last few years

*Organic vegetable production generally tends to be on a small scale with an average unit size of less than 2 acres*

*Yoghurt and cheeses are the main organic dairy products*

with a strong increase in the volume of organic herbs that are being produced.

The average size of herb producer is similar to fruit growers at around 0.25 hectares. The vast majority of producers are involved in mixed herb production rather than just one specific type of herb.

The main advantage of herb production is that it tends to be a lower maintenance form of production and also a small plot can be quite productive. Over 30 per cent of herbs are produced for home use with a further 30 per cent sold through box delivery schemes. Restaurants and wholesalers account for 21 and 14 per cent of sales respectively.

### Dairy Production

Organic dairy production remains quite small in Ireland with estimates of around 500 dairy cows producing organic milk. The average size of herd for the respondents to our survey was 13. This suggests that producers that are currently involved in organic milk production tend to have small units. The range of yields per cow varied from as low as 500 to 1,000 gallons per cow, which indicates that there is a significant variation in efficiencies among organic milk producers.

### Outlets for Organic Milk

The main use for organic milk appears to be in the production of organic yoghurt and cheeses. However, over 20 per cent of production is destined for home use. One quarter of all milk producers indicated that their milk has no specific end use. If this sector is to develop it is vital that all organic milk producers know in advance where they can sell their produce and the quantities that they can market.

*Almost three quarters of producers grow grain for home use*

### Grain Production

Based on our survey results we would estimate that there is up 500 hectares of organic cereals grown in Ireland at the moment. However, the number of respondents that grow grain was quite small so this figure is our best estimate based on responses received. Oats is the main type of cereal that is grown accounting for almost 55 per cent of the total area. Barley and wheat each account for around 23 per cent of total production.

An interesting point to come out of the survey results was that around three-quarters of producers that grow organic grain use it to feed their own animals with only slightly over 20 per cent being sold to feed millers. The remaining quantity is being used in food production. The fact that most organic grain being produced is specifically for home use is making it very difficult for producers not involved in grain production to obtain animal feedstuffs that are required to finish animals during the winter months. This situation needs to be addressed if a consistency of supply on a year round basis is to develop in the organic meat and dairy sectors.

### Other Enterprises

The other main enterprises on organic farms in Ireland include:

- **Poultry and Egg production** – there was quite a small number of respondents involved in poultry production. The main enterprise that respondents were involved in was egg production. Only one finisher of organic broilers responded to the survey and they finished 50 birds per year. Over 70 per cent of egg production is sold through box delivery schemes with a further 14 per cent being sold to both wholesalers and for home use. Two of the respondents were involved in turkey production and had 1,500 birds, which they intend to sell mainly through box deliveries with some being sold through local shops and supermarkets.
- **Pig Production** – Organic pig production is very small in Ireland with only five respondents involved in this enterprise. All of their production (60 pigs annually for the 5 respondents) was due to be sold through box schemes on a local basis.
- **Other** – Other enterprises that are starting to develop in Ireland at the moment include organic fish production, seaweed production as well as some goats milk production. However, as of yet the volume being produced is quite small.

### Producer Price Premiums

Due to the lower yields that are possible under organic farming conditions and the increased level of labour required a price premium is necessary for organic farming systems to remain

Producer Prices for Organic Food compared to Conventional Food products

| Product | Conventional Price | Organic Price | Premium for Organic(%) |
|---|---|---|---|
| Milk (p/gal) | 100 | 120-130 | 20-30 |
| Beef (p/kg) | 183 | 230-245 | 25-34 |
| Lamb (p/kg) | 216 | 265-330 | 23-50 |
| Carrots (p/kg) | 42 | 65-80 | 55-90 |
| Parsnips (p/kg) | 58 | 90-100 | 55-75 |
| Leeks (p/kg) | 110 | 130-140 | 18-27 |
| Potatoes (£/tonne) | 250 | 450-500 | 80-100 |
| Barley (£/tonne) | 85 | 170-200 | 100-135 |
| Swedes (p each) | 30 | 40-50 | 33-65 |
| Cabbage (p/head) | 30 | 45-50 | 50-65 |

*Source: Bord Bia December 1999*

viable commercial enterprises. The level of premium paid to producers can vary considerably depending on the time of year and the products being produced.

In order to determine the level of premium available, Bord Bia analysed the prices being received by organic food producers. This analysis was carried out in December 1999 and compared the price being paid to producers for a range of organic food products to those being achieved by an equivalent product produced under conventional farming systems. The main results are outlined in the table above.

The table shows that there is a significant variation in the level of price premium available for different products. The highest premium received by producers tends to be for organic cereals with prices over 100 per cent above comparative conventionally produced products. Producer premiums for organic vegetables are normally in the range 20-100 per cent. Price premiums for organic meat tend to be more modest and are generally in the range 25-40 per cent while the premium for organic milk tends to be around 20-30 per cent. However, it should be noted that there are quite significant seasonal variations in the level of price premium received by organic producers.

*Organic food sales in Ireland are estimated to be worth £20 - 25 million*

# Future Prospects for the Irish Organic Food Sector

The total market for organic foods in Ireland is currently estimated to be between £20 and £25 million or less than one per cent of the total retail food market. The annual growth in the market is expected to be in the region of 30 per cent over the next few years as consumer demand looks like continuing to drive the market. However, the current lack of year-round availability of Irish supplies has resulted in imports accounting for up to 70 per cent of all organic food sales, which means Irish producers and suppliers are not benefiting from the growth in the market. Therefore the main objective for the Irish organic food sector has to be to minimise the level of imports through increasing both the supply and range of Irish organic produce that is available on a year round basis. Once the domestic market has been secured then the sector can look at developing export markets.

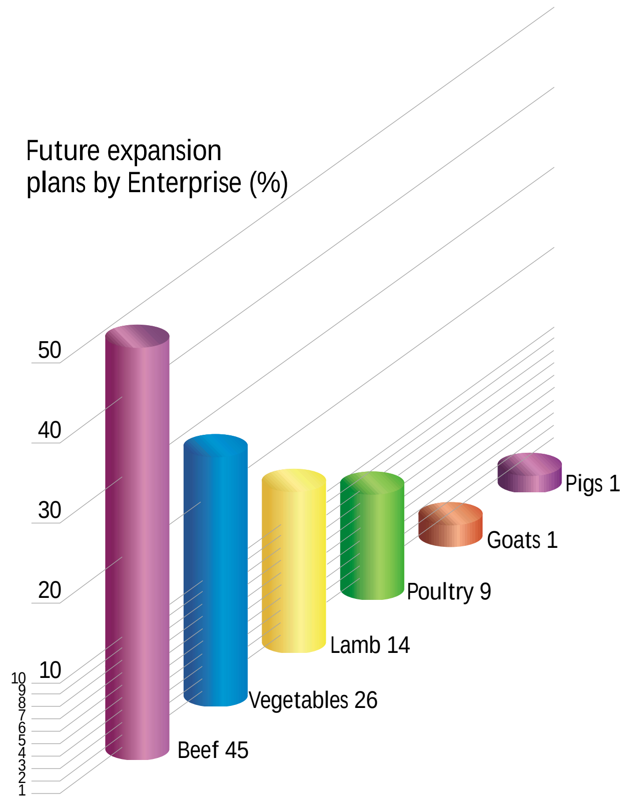
The number of producers converting to organic farming continues to increase with numbers almost doubling in the last two years to reach 1,000 in 1999. This trend is expected to continue over the coming years as increasing numbers of conventional producers look at organic farming as a possible option for their farm.

## Organic Food Production Outlook

New entrants into the organic farming sector will have a significant effect on the level of production once their conversion period has been completed and will help lead to more consistent supply of organic food production in Ireland.

As part of our survey carried out in December 1999 existing organic producers were asked about their expansion plans for the next three years. The majority of those surveyed identified beef, vegetables or lamb production as possible areas of expansion. A full breakdown of their preferences is shown in the graph below.

Based on the responses of existing organic producers, both full symbol and in conversion,



the likely growth in organic food production in Ireland over the next three years is summarised in the following table;

Projected annual growth in Irish Organic Food Production (%)

| | |
|---|---|
| **Beef** | **20-25** |
| **Lamb** | **20-25** |
| **Vegetables** | **20-30** |
| **Fruit** | **20-30** |
| **Herbs** | **30-40** |
| **Milk** | **20-25** |
| **Cereals** | **15-20** |

### Beef Production

While beef was the main enterprise targeted for expansion by respondents to our survey, a different picture emerges when producers already involved in beef production were asked to put an estimate on the rate of increase. The message coming from beef finishers based on the results of this survey is that they do not intend to expand their enterprises over the next three years. Possible reasons for this include;

- They are **adequately stocked** already
- They have had **problems sourcing organic feedstuffs** for winter finishing and as a result this is inhibiting their expansion plans.
- There have been **problems controlling parasites** in organic cattle farming and this may impact on the development of organic beef finishers.
- The development of **store cattle producers** will depend to a large extent on whether or not they can find an organic market for their animals.

Expansion in organic beef production in Ireland over the next few years will therefore be dependent on;

- Farmers that are in conversion becoming fully organic (at present around 30 per cent of producers are in conversion)
- Existing organic farmers moving into the beef sector
- New entrants to organic farming
- Reducing the number of store animals that are sold as conventional animals

Given the annual increase of 20-30 per cent in the area of land being farmed organically in Ireland, it is expected that there will be a strong rise in the availability of organic beef with annual growth rates in excess of 20 per cent expected.

### Lamb Production

A similar picture is evident in lamb production with the number of finished animals amongst existing producers again likely to be maintained at current levels. The reasons for this are the same as for beef finishers, namely stocking density, availability of feed, parasite problems and a market for store animals.

However, overall availability of organic lamb in Ireland is expected to increase considerably over the next three years as farmers in conversion become full symbol organic producers and new producers enter the organic farming sector.

An area that could lead to strong growth in the number of organic lambs available in Ireland is a reduction in the numbers that end up being sold as conventional lamb. This would require better organisation within the sector to ensure that producers are able to find an outlet for their stock. This alone could significantly boost the supply of Irish organic lamb.

### Dairy Production

The strong demand for organic dairy products is expected to fuel a further expansion in the volume of organic milk being produced in Ireland. Based on the results of our survey the volume of organic milk available from existing producers is likely to increase by over 20 per cent by 2002 from the current level of 350 – 450,000 gallons. In addition to this there is likely to be further increases in the number of organic dairy farmers and yields may also rise as producers improve their efficiency under organic farming methods. These factors could lead to overall organic milk production rising by 60-80 per cent by 2002.

### Herb Production

An area that is expected to see strong growth among existing organic food producers is herb production. Based on the responses in our survey herb production could increase by up to 50 per cent by 2002 as the returns from herb production compare very well with other

*Expansion in beef and lamb production is most likely to come through new entrants, in conversion producers becoming full symbols or existing organic farmers entering the sector* enterprises. If we have either existing or new entrants to the organic sector becoming involved in herb production this level of increase could well be in the region of 100 per cent over the period.

## Other Enterprises

Other areas where expansion is likely to come from within the existing producer base are goats milk production and pig production. Our survey would indicate an annual growth of 10-15 per cent on goats milk production and 10 per cent in organic pig production. However, these enterprises are likely to remain quite small.
The survey results take no account of likely new entrants into the organic farming sector and given the increased interest in organic farming there is likely to be a significant increase in the number of producers involved in organic farming over the next few years. An annual increase of 20-30 per cent is forecast which would result in up to 2,000 producers by the end of 2002. However, given the two year conversion period the impact of new entrants on full symbol organic production will not be seen until 2002 at the earliest.

## Opportunities/Threats for Irish Organic Food Sector

Organic food production, though operating from a low base is seen by many involved in the food industry as the sector with the largest potential for growth over the short to medium term. In an era where consumer spending on food as a proportion of their overall income continues to decline and the overall food market is at best static, organic food is bucking the trend with the European market growing by at least 25 per cent per annum. Various forecasts predict that organic food will represent up to seven per cent of all food sales by 2006 compared to around two per cent currently. In this context there are considerable opportunities for the development of organic food production on a European wide basis and Ireland can benefit from this if the organic sector develops a more consistent supply base and a wider range of organic food products.
The main **strengths and opportunities** that exist for the Irish organic food sector include;

- Demand continues to run well ahead of current supply levels in Ireland, which means that there is a definite demand that needs to be met. Also, in the UK demand for organic food is increasing at the rate of 40 per cent annually whereas the actual supply is only rising by 25 per cent. Given the fact that Ireland is well established in that market already for conventional food we would be in competitive position to supply the UK market if we have sufficient supplies available.
- Generally there is a very positive consumer attitude towards organic food in Ireland with an increasing proportion of consumers purchasing some organic food on a regular basis. Organic food is seen as offering them a chemical free food produced in an environmentally friendly manner.
- More value added niche products. To date the development of the organic food sector has been largely driven by the sale of fresh produce, meat and dairy products. However, consumers and retailers are becoming increasingly interested in value-added products that would widen the range of organic products available to them. There is a definite opportunity both on the domestic and export markets for the development of value added products such as ready meals and pizzas.
- Farming in Ireland tends to be less intensive that other European countries and therefore converting to organic farming wouldn’t require significant changes on many Irish farms. Given the green image that Ireland already has in many European markets we are ideally suited to the development of an organic food sector. Ireland is well placed to develop export markets if the volume of organic food production increased sufficiently.
- **Flexibility of Irish producers**. There are two distinct segments involved in organic food production in Ireland. Firstly, there are many small organic producers who are flexible as to what they produce and how they sell it and are in a good position to serve domestic market needs on a local basis. Secondly, there are an increasing number of larger producers/groups that have and will continue to have excellent opportunities to serve the retail and food service sectors on a more commercial basis as they have the scale necessary to meet the demands of these customers. A guarantee of regular weekly

business would give them the confidence to either expand their own enterprise or increase the number of producers that are supplying them.

The main **weaknesses & threats** that are facing the Irish organic sector include;

- **Ireland is lagging behind other European Countries.** While the organic sector in Ireland has grown quite strongly over the last few years it still lags behind the rate of development of other markets, especially Northern European countries.
  With some of their markets starting to become saturated, for instance the dairy sector in Denmark, it is likely that they will look at countries such as Ireland as potential markets for any excess product. Also in the fruit and vegetable and processed food segments a large proportion of the product available at retail level is imported. The presence of increasing volumes of these products is making it increasingly difficult for domestic produce to become established in the market.
- **Lack of statistical data**. There is limited market information available for the Irish market for organic food at present. This makes it very difficult to get an accurate picture of the growth of the market, the level of consumer demand and the level of imports. This in turn makes it difficult for producers to plan their enterprises for supplying the market over the longer term.
- **Limited Understanding of "Organic Farming"**. Poor communication from both a producer and consumer point of view has slowed the growth of organic food production up to now. More information needs to be made available as to what is involved in converting to organic and the day to day running of an organic farm. There needs to be an advisory service available to producers that can help them to get through the conversion process and develop their organic enterprises. Consumers also have a limited awareness of what the term "organic" means and this needs to be addressed.
- **Confusing Labelling of products**. It is important that all organic food products are clearly labelled so the consumer knows exactly where they are coming from. At the moment we have products on shelves that claim to be environmentally friendly and ecologically produced and are tagging on to some extent to the rise in demand for organic products. This can be misleading to the consumer who may not understand the difference between the products. In order to maintain the integrity of organic food products it is important that it is always clear as to what is a certified organic food product and what is not.
- **National Policy for Organic food**. While the organic sector in Ireland has been developing steadily over recent years there is no industry agreed national policy with clear objectives and targets and this has resulted in the industry remaining quite fragmented. If the Irish organic sector is to develop to it's full potential all sections of the industry need to agree a policy for the development of the sector.
- **Price Premium for Organic Food**. There is a requirement for a price premium for organic food products compared to conventional food products to compensate producers for their higher costs. However, some of the price premiums currently being charged for organic foods may limit future growth.

*EU organic food sector is forecast to reach 5-7% of total food market by 20005*

# Conclusions and Recommendations

### European Market

The organic food sector both on a European and an Irish basis has the potential to become a very significant niche within the overall food market. A series of food scares during the 1990's and increased consumer concerns for the environment have resulted in very strong growth over recent years, with organic food now accounting for two per cent of the European food market with an estimated value in 1999 of Ir£4.5 billion. This compares to Ir£2 billion in 1995. This growth has been achieved in a food market that has remained static and at a time when the proportion of household income being spent on food continues to decline. Latest forecasts suggest that the organic food sector has the potential to grow to between 5 and 7 per cent of the total food market by 2005.

The European market to date has been dominated by primary foods, namely fruit and vegetables, meat, dairy products and to a lesser extent cereal-based products. However, over the last few years there have been significant strides towards an increased level of product innovation and this trend is likely to continue over the coming years as both retailers and suppliers alike work to maximise the product range they can offer consumers on a weekly basis. Supermarkets have become increasingly important in the sector through firstly attracting new consumers to organic food and secondly working with suppliers to develop new products that offer consumers an alternative to conventional food products.

Consumer demand for organic food products continues to grow in most markets helped by increasing supplies and a wider range of products to choose from. However, one of the main factors preventing increased numbers of consumers choosing organic food is the level of price premium that prevails for most products. If the market is to grow to it's full potential it is vital that consumer price premiums are maintained at reasonable levels on a year round basis.

### Irish Market

In Ireland, the organic food market continues to lag behind the more developed European markets. However, the level of growth has accelerated over the last few years. The rise in the area that is being farmed organically, which has more than doubled over the last three years has resulted in increased volumes of Irish organic food becoming available, although like most European markets imports are prominent. Imports are most common in the fruit and vegetable, spices and pasta markets and in total they are estimated to account for up to 70 per cent of sales.

There continues to be a problem securing a consistent supply of the right quality product on the Irish market and this needs to be addressed if the benefits of a growing market are to be reaped by Irish producers rather than imported product. With the level of organic food production forecast to continue to grow by 20-30 per cent annually over the next few years it should help to provide a more regular supply of products. In addition to this, there needs to be a strong emphasis on developing new products to meet the increasing requirements of the more affluent Irish consumer and minimise the level of imports that are required.

There continues to be a general lack of knowledge of exactly what is involved in organic farming and food production. If the supply of Irish organic food is to continue to grow it is important that the facts about organic farming are communicated to producers whether it be through the farming press, other publications or open days. While organic farming will not suit every farm, it is vital that the maximum amount of information possible is available to producers to help them make an informed decision on whether or not it suits their own particular enterprise. Given the current climate where returns from conventional farming are under pressure, organic farming may represent a realistic alternative for some producers.

To date, the level of activity in the sector by mainstream processors has been limited with the low level of supply being a prohibiting factor for many of these companies. However, with supplies increasing, the organic food area may provide them with an opportunity to develop some organic versions of their products. They can also play a very important role in encouraging producers to convert to organic farming. If they can offer producers an outlet for their produce it will provide a strong incentive for them to convert their farm.

Irish retailers have become increasingly active in the Irish organic food market over the last couple of years. This is a positive development as they can have a key role in the development of the market for organic food in Ireland. Retailers have been very active in other European markets with initiatives such as guaranteeing to take produce from producers for a set period (including while in conversion) becoming increasingly common. Similar initiatives by Irish retailers would help provide a further boost the organic food sector over the next few years.

As the organic food sector is in the relatively early stages of development and given the fact that there is a high level of imports on the market the main focus for the sector should be to firstly secure the domestic market and thus minimise imports. Once the supply base reaches a size sufficient to develop an export trade, there are a number of markets available for Irish organic food, especially the UK.

There are a number of opportunities and threats facing the organic food sector in Ireland. How these are dealt with will have a crucial bearing on how the sector develops over the coming years. Based on our research to date we feel there are a number of steps that need to be taken to maximise the development of the organic food sector in Ireland. These include;

- **National Strategy for Organic Food Sector**
  National development strategies for organic food have been instrumental in the driving the sector in the more developed organic food markets across Europe. With the Irish organic sector lagging behind these countries it is important that all sections of the industry work together to develop a clear national strategy for organic food production in this country. This would involve setting targets for the sector and developing a strategy to maximise the growth of the industry over a specific timeframe. This would allow all parts of the industry to be involved in the decision making process The work by the Agrifood 2010 Committee which recommended the establishment of an organic development committee together with the action plan currently being prepared by the Western Development commission for organic farming in the West of Ireland represent positive steps in this direction
- **Harmonisation of Organic Standards**
  In a country such as Ireland where there is a relatively small organic food sector it would seem to be beneficial to have a single organic certification standard to cover all organic food products. Notwithstanding the difficulty in harmonising the different standards it would help to remove confusion that currently exists where only six per cent of consumers recognise any of the logos used by the Irish certification bodies. This standard could be based on the EU legislation that is in place and therefore once the sector has met the demands of the domestic market this standard would be acceptable in export markets. It would also allow the development of one clear national logo for organic food that could be used to market and promote Irish organic food to both domestic and overseas consumers.
- **Research and Education**
  It is very encouraging to see the level of research activity that is currently being carried out by Teagasc. Some of the main initiatives currently been undertaken include dairy research at Johnstown Castle, information collection on the performance of organic farms, a vegetable and cattle/sheep unit in Mountbellew College, the conversion of Mellows College and a dairy discussion group in the South East. This work will be very useful in providing detailed analysis of both the economic and technical feasability of organic farming under Irish conditions. In order for this work to have the maximum benefit for those both already involved in organic farming and those considering converting it is important that the results of the research are widely disseminated.
  It is important that market requirements are communicated effectively to producers. This is particularly the case in the livestock sector where there are problems both with the quality and the level of finish on animals when presented for slaughter. The best way of getting this message across is through processors or retail customers working with producers to communicate the types of animals required.

### Increased levels of Market Information

Analyse trends at both Producer and Consumer level

If the Irish industry is to develop to its full potential it is important that there is regular market information available to companies

*It is important that all sections of the industry work together to develop a national strategy for organic food production in Ireland*

*Increased levels of market information would help all sections of the industry to plan their development.*

regarding the types and quantity of food being produced. This sort of information would help companies plan their future development. This would involve firstly analysing on an annual basis the production levels of organic produce and the forecast growth for the following year. Bord Bia will work to ensure that this information is updated on a regular basis and is made available to everybody involved in the sector.

Regular research is also required at consumer level to find out the type of products required by consumers and the factors that determine consumers purchasing decisions. Bord Bia will continue to further develop its market intelligence function in this area and provide regular updates to the sector. At retail level it is important to ascertain the level of sales of organic produce and the origin of the produce. This should help identify products that are being imported and that this could be substituted by Irish produce.

## Development of Supplier Database

One of the key points to come from the producer survey was the fact that in the livestock sector in particular there is a significant proportion of organic produce being lost to the conventional market as producers cannot find outlets for their produce within the organic sector. With demand in Ireland outstripping supply it is important that all food produced under organic farming systems is identified and sold as such in order to improve the efficency of the supply chain. A possible way of ensuring this would be to set up a database of all organic producers in Ireland covering their enterprise type and products sold. This would provide producers and processors with the facility to identify potential outlets/suppliers of various organic food products and serve to reduce the loss of these products to the conventional food market. This will require full participation by all interests in the sector and should be a priority for the proposed Organic Development Committee.

## Consumer Information

There is still confusion among consumers as to what the organic label actually means. If the market is to attract increasing numbers of consumers it is important that they are made aware of what is involved in organic farming and how they know if a product has been produced using organic farming methods. Consumer information material such as leaflets and other point of sale material would prove beneficial in attracting more consumers to organic food. Bord Bia is willing to support an industry initiative to develop consumer education leaflets and brochures.

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www.fas.usda.gov/htp/organics/news99.html

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# Useful Contacts in Irish Organic Sector

## Organic Certification Bodies

**Irish Organic Farmers & Growers Association,**
Harbour Buildings, Harbour Road,
Kilbeggan, Co. Westmeath.
Tel: 0506 32563 Fax: 0506 32036
Email iofga@tinet.ie
Contact: **Noreen Gibney**, *Operations Manager*
**Sinead Devaney**, *Symbol Scheme Manager*
**Eva Draper**, *Office Manager*

**Organic Trust Ltd,**
Vernon House, 2 Vernon Avenue,
Clontarf, Dublin 3.
Tel: 01 8530271
Fax: 01 8530271
Email organic@iol.ie
Contact: **Helen Scully**, *National Administrator*

**Demeter Standards Ltd,**
Bio-dynamic Agricultural Association in Ireland,
Watergarden, Thomastown,
Co. Kilkenny.
Tel: 056 54214 Fax: 056 24844
Email bdaai@indigo.ie
Contact: **Anja Terpstra**,
*Secretary & Symbol Scheme Manager*

## Department of Agriculture, & Rural Development

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### Organic Farm Unit

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# List of Certified Irish Organic Food Processors & Distributors

**The following list is a directory of certified organic food processors and distributors in Ireland at the end of May 2000. The status of these companies may change over time and new companies may become certified. Therefore, it is advisable to contact the relevant organic certification body to ensure that the company information remains valid.**

## Meat

| | Business Type | Main Products | Certification Body |
|---|---|---|---|
| **Ashgrove Meats,**<br>Dually, Newcastlewest,<br>Co. Limerick.<br>Contact: **Frank Burke** (069) 62347 | Processor | Beef & Lamb | IOFGA |
| **AIBP Cahir,**<br>Cahir, Co. Tipperary.<br>Contact: **Peter Mc Guire** (052) 41444 | Processor | Beef | IOFGA |
| **Bakers Butchers**,<br>Clonsilla Village, Dublin 15.<br>Contact: **Oliver Baker** (01) 8211621 | Butcher/Retailer | Beef & Lamb | Organic Trust |
| **Ballon Meats**,<br>Ballon, Co. Carlow.<br>Contact: **John Salter** (0503) 59132 | Processor | Beef & Lamb | IOFGA |
| **Calveys Butchers,**<br>Keel, Achill, Co. Mayo.<br>Contact: **Martina Calvey** (098) 43158 | Butcher/Retailer | Lamb | Organic Trust |
| **Carton Brothers**,<br>Shercock, Co. Cavan<br>Contact: **Christian Farnan** (042) 69271 | Processor | Chicken | IOFGA |
| **B & C Colchester**,<br>The Islands, Urlingford,<br>Co. Kilkenny.<br>Contact: **Ben & Charlotte Colchester**<br>(056) 31411 | Processor | Turkey's | Organic Trust |
| **John Downey & Son, Butcher**<br>97 Terenure Road East, Terenure,<br>Dublin 6.<br>Contact: **Mark Downey** (01) 4909239 | Butcher/Retailer | Beef & Lamb | IOFGA |
| **Good Herdsman Ltd**,<br>Ballybrado House, Cahir,<br>Co. Tipperary.<br>Contact: **Josef Finke** (052) 66206 | Processor/Distributor | Beef, Lamb & Poultry | Organic Trust |
| **Glanbia Meats**,<br>Baylands, Camolin,<br>Co. Wexford.<br>Contact: **Enda Murphy** (054) 66300 | Processor/Distributor | Lamb | IOFGA |
| **Glanbia Meats**,<br>Edenderry, Co. Offaly.<br>Contact: **Deirdre Doyle** (0405) 31966 | Processor | Pigmeat | IOFGA |

| | | | |
|---|---|---|---|
| **O'Toole & Son, Butcher**,<br>138 Terenure Road Nth,<br>Terenure, Dublin 6W.<br>Contact: **Danny O'Toole** (01) 4905457 | Butcher/Retailer | Beef & Lamb | IOFGA & Demeter |
| **Hugh Robson**<br>Glencarn, Carron,<br>Co. Clare.<br>Contact: (065) 7089125 | Processor | Meat Processor | IOFGA |
| **Michael Staunton, Butcher**,<br>Main Street, Tyrrellspass,<br>Co. Westmeath.<br>Contact: **Michael Staunton** (044) 23777 | Butcher/Retailer | Beef and Lamb | Organic Trust |

## Dairy Products

| | | | |
|---|---|---|---|
| **Abo Cheese Company Ltd**,<br>Cuffsborough, Ballacolla,<br>Co. Laois.<br>Contact: **Pat Hyland** (0502) 38599 | Processor | Cheese | IOFGA |
| **Burren Resources**,<br>Aillwee Cave, Ballyvaughan,<br>Co. Clare.<br>Contact: **Ben Johnson** (065) 7077194 | Processor | Cheese | IOFGA |
| **Kate Carmody**,<br>Beale Lodge, Asdee,<br>Listowel, Co. Kerry.<br>Contact: **Kate Carmody** (086) 41137 | Processor | Cheese | IOFGA |
| **Donegal Creameries PLC**<br>Crossroads, Killygordon,<br>Co. Donegal.<br>Contact: **Michael Murphy** (074) 49127 | Processor | UHT Milk | IOFGA |
| **Glenisk Ltd,**<br>Newtown,<br>Killeigh, Co. Offaly.<br>Contact: **Vincent &**<br>**Brendan Cleary** (0506) 44259 | Processor | Milk & Yoghurt | IOFGA |
| **Inagh Farmhouse Cheese**,<br>Gortboffearna, Inagh, Co. Clare.<br>Contact: **Siobhan Ni Ghairbhith** (065) 36635 | Processor | Goats Cheese | IOFGA |
| **Paul Keane**,<br>6 Mount, Ballynacally,<br>Ennis, Co. Clare<br>Contact: **Paul Keane** (065) 6838024 | Processor | Goats Milk | IOFGA |
| **Herbert & Jennifer Kenny**,<br>Drumboory, Carrickmacross,<br>Co. Monaghan.<br>Contact: **Herbert & Jennifer Kenny** (041) 55139 | Processor | Goats Milk | IOFGA |
| **Mileeven**,<br>Owning Hill, Piltown,<br>Co. Kilkenny.<br>Contact: **Eilis Gough** (051) 643368 | Processor | Cheese | Demeter |

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|---|---|---|---|
| **Neantog**,<br>Ballincastle, Cliffaney, Co. Sligo.<br>Contact: **Hans & Gaby Wieland** (071) 66399 | Processor | Goats cheese,<br>milk & yoghurt | Organic Trust |
| **Michael & Rose Shanahan**,<br>Coolfinn Farm, Portlaw,<br>Co. Waterford.<br>Contact: **Michael & Rose Shanahan** (051) 87314 | Processor | Goats Milk | IOFGA |
| **Mr Rose van de Graaf,**<br>Oisin Farmhouse, Glenosheen,<br>Kilmallock, Co. Limerick.<br>Contact: **Rose van de Graaf** (063) 91528 | Processor | Cheese | IOFGA |

## Eggs

| | | | |
|---|---|---|---|
| **Corby Rock Eggs Ltd**,<br>Corby Rock, Monaghan,<br>Co. Monaghan.<br>Contact: Majella Treanor (047) 81566 | Packaging/<br>Retailing | Egg Packing & Retail | IOFGA |

## Fish

| | | | |
|---|---|---|---|
| **Clare Island Seafarm**,<br>Cloghmore, Achill, Co. Mayo<br>Contact: **David Baird** (098) 45375 | Processor | Salmon | IOFGA |
| **The Burren Smokehouse Ltd**,<br>Lisdoonvarna, Co. Clare.<br>Contact: **John Towler** (065) 7074432 | Processor | Salmon | IOFGA |
| **Kinvara Smoked Salmon Ltd,**<br>Kinvara, Co. Galway.<br>Contact: **Declan Droney** (091) 637489 | Processor | Smoked Salmon | IOFGA |

## Mushrooms

| | | | |
|---|---|---|---|
| **Mr Seamus Boyd**,<br>Ashfield Farm, Kinnegan,<br>Castleblayney, Co. Monaghan.<br>Contact: **Seamus Boyd** | Producer | Mushrooms | IOFGA |
| **Hogan Brothers Ltd**,<br>Cooladine, Ballaghadereen,<br>Co. Roscommon.<br>Contact: **David Hogan** (0907) 60745 | Producer | Mushrooms | IOFGA |

## Bakery Products

| | | | |
|---|---|---|---|
| **Baking House Ltd**,<br>Harlockstown, Ashbourne,<br>Co. Meath.<br>Contact**: Clare Mooney** (01) 8359010 | Processor | Bakery Products | Demeter |
| **The Crumb Factory**,<br>Finea, Mullingar,<br>Co. Westmeath.<br>Contact: **Bernard Coyle** (043) 81347 | Processor | Biscuits &<br>Bread Crumbs | IOFGA |

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|---|---|---|---|
| **Josef Finke**,<br>Ballybrado Ltd<br>Ballybrado House, Cahir,<br>Co. Tipperary.<br>Contact: **Josef Finke** (052) 66206 | Processor | Bakery products & Flour | Organic Trust |
| **E Flahavan & Sons Ltd**,<br>Kilnagrange Mills, Kilmacthomas,<br>Co. Waterford.<br>Contact: J **Coffey** (051) 294107 | Processor | Oats/Oatflake products | Organic Trust |
| **'My Own' Food Products Ltd,**<br>Kilmurry Lodge, Carrick on Suir,<br>Co. Tipperary.<br>Contact: **Ms Siobhan Walsh** (051) 640489 | Processor | Bakery Products | IOFGA |
| **Mc Cambridges Fine Foods**,<br>Arkle Road, Sandyford Industrial Estate,<br>Dublin 18.<br>Contact: **Michelle O'Toole** (01) 2958867 | Processor | Bread | Organic Trust |
| **The Organic Bakery**,<br>Glendree, Feakle, Co. Clare.<br>Contact: **Sybille & Michael Luhr** (061) 924261 | Processor | Bakery Products | IOFGA |

## Fruit and Vegetables

| | | | |
|---|---|---|---|
| **Absolutely Organic**,<br>38 Ormond Road, Rathmines,<br>Dublin 6.<br>Contact: **Anne Marie Sheridan** (01) 4968912 | Distributor | Fruit & Vegetables | IOFGA |
| **Begley Brothers Ltd**,<br>26-31 East Arran St,<br>Dublin 7.<br>Contact: **Greg Begley** (01) 8735833 | Distributor | Fruit & Vegetables | IOFGA |
| **Bunalun Organic Farm**,<br>Bunalun, Skibbereen,<br>Co. Cork.<br>Contact: **Tony Chettle** (028) 21116 | Processor/<br>Distributor | Vegetables | Organic Trust |
| **Country Crest Organics**,<br>Country Crest Ltd, Rathmooney,<br>Lusk, Co. Dublin.<br>Contact: **Frank Sexton** (01) 8437061 | Distributor | Fruit & Vegetables | IOFGA |
| **Donnelly Fruit & Veg Ltd**,<br>54/57 North King Street,<br>Dublin 7.<br>Contact: **Shaun Doherty** (01) 8725133 | Processor/<br>Distributor | Fruit & Vegetables | Organic Trust |
| **Joe Eats Organic**,<br>c/o Shiplake,<br>Dunmanway, Co. Cork.<br>Contact: **Joe Barth** (023) 45150 | Packaging/<br>Distributor | Fruit, Vegetables & Wine | Organic Trust |
| **Marc O'Mahony**,<br>Clonbuig, Kilbrittain, Co. Cork.<br>Contact: **Marc O'Mahony** (021) 7338157 | Packaging/<br>Distributor | Fruit & Vegetables | IOFGA |

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|---|---|---|---|
| **Musgraves Supervalu Centre**<br>Tramore Rd, Cork.<br>Contact: **Siobhan Lynagh** (021) 803000 | Distributor/<br>Wholesaler | Fruit & Vegetables | Organic Trust |
| **Organic Life**,<br>Tinna Park Bower, Kilpedder,<br>Co Wicklow.<br>Contact: **Marc Michel** (01) 2810545 | Packaging/<br>Distributor | Fruit & Vegetables | Organic Trust |
| **Donal O'Callaghan**,<br>22 Woodbine Lawn, Ballincollig,<br>Co. Cork.<br>Contact: (021) 272368 | Retailer/<br>Distributor | Fruit & Vegetables | IOFGA |
| **Organic Foods Ltd**,<br>Fishery Lane,<br>Naas Industrial Estate, Naas,<br>Co. Kildare.<br>Contact: **Margaret O'Loughlin** (045) 899884 | Packaging/<br>Distributor | Vegetables | Organic Trust |
| **Dick Wellwood**,<br>Horizon Natural Products Ltd,<br>Upper Clonking, Abbeyleix,<br>Portlaoise, Co. Laois.<br>Contact: **Dick Wellwood** (0502) 33313 | Packaging/<br>Distributor | Fruit & Vegetables | IOFGA |

## Dried Goods

| | | | |
|---|---|---|---|
| **Munster Wholefoods Ltd,**<br>Farranfore, Co. Kerry.<br>Contact: **Martin Benham** (066) 9764691 | Packaging/<br>Distributor | Dried Goods | IOFGA |
| **Wholefoods Wholesale Ltd**,<br>Unit 2D Kylemore Ind. Estate,<br>Killeen Road, Dublin 10.<br>Contact: **Rosemary Byrne** (01) 6262315 | Packaging/<br>Distributor | Dried Goods | IOFGA |

## Other

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|---|---|---|---|
| **Atlantic Aromatics Ltd,**<br>9 Ardee Court, Bray,<br>Co. Wicklow.<br>Contact: **David Kelly** (01) 2865399 | Processor/<br>Distributor | Essential Oils | Organic Trust |
| **Bunalun Organic Farm**,<br>Bunalun, Skibbereen, .<br>Co. Cork<br>Contact: **Tony Chettle** (028) 21116 | Processor/Distributor | Preserves, herb blends,<br>ready meals, cereals,<br>juices, tea & coffee etc | Organic Trust |
| **Good Food Store**,<br>7 Pembroke Lane,<br>Dublin 4.<br>Contact: **Vanessa Clarke** (01) 6675656 | Processor/<br>Distributor/Retailer | Wide range of products | Organic Trust |
| **Healy's Organic Honey**,<br>Maglin, Ballincollig,<br>Co. Cork.<br>Contact: **Pat Healy** (021) 871258 | Processor<br>/Packaging/Distributor | Honey | Organic Trust |

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|---|---|---|---|
| **Kerry Foods Ltd,**<br>Tralee Road, Listowel,<br>Co. Kerry.<br>Contact: **Norma Kelleher** (068) 21311 | Processor | Olive Oil Spread | Organic Trust |
| **Morley's Fine Irish Foods,**<br>Ardsley Lodge, Herenford Lane,<br>Shankill, Dublin 18.<br>Contact: **Kelly Spillane** (01) 2940092 | Packaging | Jams/Marmalades | Organic Trust |
| **National Organic Products Ltd,**<br>Units 1-2 IDA Ind. Estate,<br>Teernaboul, Killarney,<br>Co. Kerry.<br>Contact: **Kieran Dunne** (064) 31871 | Processor/<br>Distributor | Preserves, herbs,<br>blends etc. | Organic Trust |
| **Noodle Pasta House**,<br>Curry, Co Sligo.<br>Contact: **Ingrid Basler** (071) 85589 | Processor | Pasta | Demeter |
| **O'Brien Ingredients Ltd,**<br>O'Brien House, Ballymoss Road,<br>Sandyford Ind. Estate, Dublin 18.<br>Contact: **Paul O'Brien** (01) 2952511 | Distributor | Organic Ingredients | Organic Trust |
| **The Organic Herb Company,**<br>Omey Cottage Moneystown,<br>Roundwood, Co. Wicklow.<br>Contact: **Stephanie Kennedy** (0404) 45697 | Packaging/<br>Distributor | Herb & Spices | Organic Trust |
| **Tasty Kitchen Ltd,**<br>Administration Building,<br>Cashel, Co. Tipperary.<br>Contact: **Vanessa O'Dwyer** (062) 61550 | Processor | Jams & Marmalades<br>Dublin Road, | Organic Trust |