Gwell Cysylltiadau Busnes Organig

BOBL

Better Organic Business Links

Market Review of the Organic Red Meat Sector in Wales, 2009

Summary and Recommendations

Organic Centre Wales

Better Organic Business Links

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Produced by

Graig Producers and *ADAS Wales*

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All

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The Better Organic Business Links Project BOBL
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Organic Centre Wales has received funding through the Rural Development Plan for Wales 2007-2013, which is funded by the Welsh Assembly Government and the European Agricultural Fund for Rural Development, to run the Better Organic Business Links (BOBL) project over 3 years (2009-2012). The BOBL project is designed to support the primary producer in Wales and grow the market for Welsh organic produce in a sustainable way. The project will develop new, emerging and existing markets for organic produce whilst driving innovation, at all levels, within the supply chain. It will strive to increase the consumer demand and markets for organic produce, especially in the home market whilst also ensuring that the primary producers are aware of market demands. The project will provide valuable market information to primary producers and the organic sector in general.

Delivery of the project is divided into five main areas of work:

1. Driving innovation
2. Consumer information and image development of organic food and farming in Wales
3. Market development
4. Market intelligence
5. Addressing key structural problems within the sector.

The work delivers against activity 4.1 of the BOBL project – Market Intelligence. The review is one of four and provides a snapshot of the organic red meat market at the outset of the project. The review will act as a baseline and will be repeated towards the end of the project in 2012.

Executive Summary

The world beef and sheep trade has seen a downturn with contracting markets due to the financial recession. In the EU, production levels were down in 2009 and in the UK the size of the national herd and flock have declined. Food and Agricultural Office of the United Nations (FAO) predictions are for a modest global upturn in meat markets as a recovery from the recession proceeds in 2010.

In the UK, the size of the total beef herd fell by 1.7% to 1.7 million between 2007 and 2008. The total sheep breeding flock fell by 2.8% to 15.6 million and the number of lambs by 1.7% to 16.6 million over the same period.

In Wales, the red meat sector (including pigs) contributes 42% of the annual total of Welsh agricultural output. In 2008, there were 4.2 million breeding ewes in Wales and a breeding beef herd of 340,000 head. Between 2004 and 2008, the Welsh breeding ewe flock declined by 15% and the Welsh breeding beef herd declined by 8%.

Approximately 63% of Welsh produced sheep meat and 89% of Welsh produced beef is consumed elsewhere in Britain. Europe is also an important market.

Multiple retailers account for over 80% of GB household sales of red meat.

Organic cattle comprise 3.2% of the total UK herd and organic sheep comprise 3.6% of the total UK flock. Currently an estimated 3.2 million GB households buy some organic meat. Organic lamb represents 2.2% of total UK lamb sales and organic beef represents 1.5% of total UK beef sales.

The proportion of agricultural land managed organically in Wales increased at an annual rate of more than 20% per year between 2006 and 2008 as farmers entered conversion. The number of organic and in-conversion producers in Wales increased from 640 in 2005 to 804 in 2008 – an increase of 26% in three years.

In 2008, the size of the Welsh organic beef herd grew by 35% and the Welsh organic sheep flock grew by 45% compared to 2007.

Between 2008 and 2009, organic beef prices on the supermarket shelf increased but the organic premium charged to customers dropped slightly to around 30%. This, combined with the financial downturn in the economy, resulted in a drop of sales volume between 2008 and 2009 of some 30%. The organic lamb market fared better than the beef, probably as a result of decreased prices, and a lower premium being charged by supermarkets over the non-organic standard lamb ranges. Although there was a fall in volumes and values of organic lamb, they were significantly smaller than the impact on the organic beef sector.

A survey was carried out of stakeholders in the organic red meat industry in Wales during December 2009 and January 2010. The survey found that a third of respondents had ceased trading in organic meat in the previous 12 months; however those remaining were generally optimistic about the future.

Of the companies remaining in business, their route to market was varied, including direct sales from the farm gate, farmers' markets and mail order - to larger companies offering catering and wholesale. At farmers' markets, sales especially for meat sellers, dropped significantly. Despite this, there was a perception amongst some farm shops that they had lost custom to farmers' markets. Some feared that there were too many producers chasing fewer customers.

A net 4% of respondents said that 2009 was a better trading year than 2008 and, looking forward, respondents were more positive about the market. On the farming side however, there were concerns about financial viability and the potential loss of premiums and organic grant aid in the change to the Glastir land management scheme.

Respondents felt that the organic sector could benefit from Organic Centre Wales' Better Organic Business Links (BOBL) project in the promotion of a positive organic message. For the consumer, clearer explanations of, and education about, organic farming and organic produce is needed.

SWOT analysis revealed that the sector's strengths lie in a committed production base and a loyal customer base combined with support from the Welsh Assembly Government. Some weaknesses are long term (lack of abattoirs, reliance on the multiple retailers); others are more immediate (increasing production costs, low organic premiums). Confusion and lack of understanding among consumers is a generic weakness for the whole organic sector, though actions such as the Organic Trade Board Primer campaign and the Organic UK bid for EU promotion support show that there is also a market opportunity here. Other opportunities are in market development, for example into the food tourism and public procurement markets. Threats to the red meat sector arise from incipient changes in public support, such as the introduction of Glastir which may lead to reduced grant aid. Financially, reduced public financial support at a time of rising input costs, low market demand and falling organic premiums could represent a difficult combination of factors for some producers.

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BOBL baseline figures: The Organic Red Meat Market in Wales 2009

	2009	Data source
Organic land area in Wales, 2008 (ha)	124,618	Defra CB data
Organic land area as proportion of total agricultural land area in Wales	8%	Defra CB data
No of licensed organic farmers in Wales (fully organic and converting), 2008	804	SA Market Report
No of licensed organic beef producers in Wales, 2009	575	SA Market Report
No. of licensed organic sheep producers in Wales, 2009	621	SA Market Report
No. of producers in Wales licensed for **both** organic beef **and** sheep production, 2009	456	Defra CB data
No of organic beef cows in Wales (2008)	12,119	Defra CB data
No of organic finishing cattle (2008)	11,500	Defra CB data
No of organic sheep in Wales (2008)	531,209	Defra CB data
Total UK organic beef production, kg (52 w/e 27 Dec 2009)	2,563,000	TNS
Max organic beef price, 2009 (kg /Dw)	£3.28	TNS
Max conventional beef price (steers), 2009 (kg /Dw)	£2.86	TNS
Estimated movement in farm-gate price for organic beef over previous 12 months (2008 – 2009)	-11p per Kg/ Dw	TNS
Total UK organic lamb production, kg (52 w/e 27 Dec 2009)	1,175,000	TNS
Max organic lamb price 2009 (kg)	£4.42	TNS
Max conventional lamb price (kg)	£3.96	TNS
Estimated movement in farm-gate price for organic lamb over previous 12 months (2008 – 2009)	+52p per kg/ DW	TNS
% of organic red meat producers in Wales believing prices high enough in 2009	50%	OCW Producer survey 2009
Average retail premium for organic beef (supermarket prices)	29.2%	Graig Producers
Value of UK retail organic beef market (2008)	£41.7 million	TNS
AWP (spend per buyer) on organic beef (52 w/e 27 Dec 2009)	£11.66	TNS
Average retail premium for organic lamb (supermarket prices)	14.6%	Graig Producers
Value of UK organic retail lamb market (2008)	£18.5 million	TNS
AWP (spend per buyer) on organic lamb (52 w/e 27 Dec 2009)	£10.16	TNS

Recommendations

The recommendations that arise from this review and that have been proposed by stakeholders are listed below.

- The organic red meat sector should promote the benefits to the consumer of organic meat in a positive marketing campaign
- The launch of the Organic Trade Board Primer and the Organic UK campaign are positive marketing moves and need to continue
- More consumer data should be obtained and made more widely available
- Farm supply and demand from meat processors need to be brought into balance
- Conversion numbers should be managed in line with market demand. Monitoring of the situation to provide the basis for forward planning is needed
- The BOBL project should undertake a feasibility study to examine the potential value of EU Protected Geographical Indication (PGI) status for Welsh organic meat products
- Stakeholder suggestion: an "Organic Roadshow" to travel round Wales offering a genuine debate about food and organic in particular should be considered
- Public procurement of organic ingredients should be promoted
- Organic agritourism should be promoted
- Courses for organic accommodation suppliers should be arranged so they can educate the public when they stay at B&Bs, etc
- Stakeholder suggestion: A forum of 'Farmers' markets Managers' needs to be established. To put out a coherent messages, collect statistics and inject some enthusiasm into flagging farmers' markets and to help organic sales
- Make sure organic maintenance payments continue and ensure the financial viability of organic livestock farming
- Eradicate excessive red tape – it is excessive for smaller producers, in processing and organic certification.
- Ensure organic purity throughout the food supply chain. No compromise on organic standards.