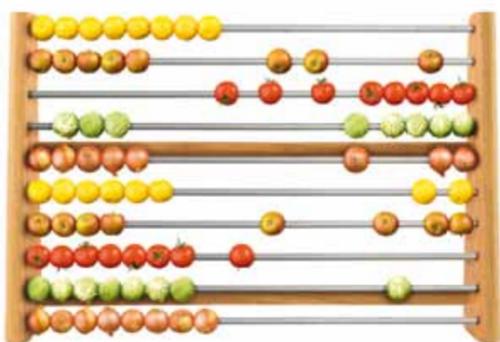


Organic market report 2010

Summary version

Commentary



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

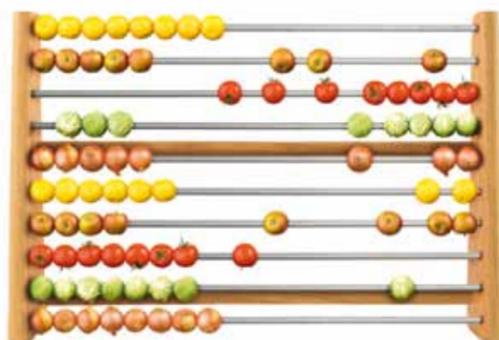
The current economic climate is certainly the toughest that the organic movement has faced for 20 years, in what some are calling the worst depression for a century. In common with much of the rest of the economy, trading conditions have been very difficult for many organic businesses.

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

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

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

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



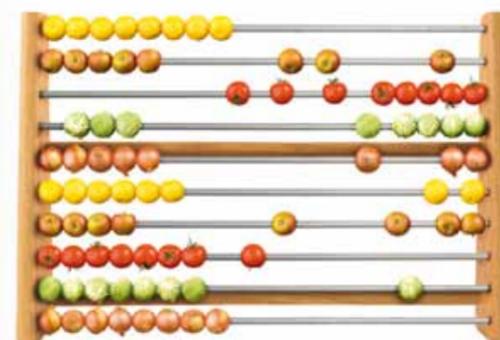
The question we should really be asking is not 'can the public afford organic food?' but 'can our policy makers afford to carry on ignoring the potential of organic farming?'

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

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

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

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



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

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

Peter Melchett
Policy Director

Key statistics

- ▶ In 2009 sales of organic products in the UK were worth £1.84 billion – a decrease of 12.9% on 2008. Sales slowed significantly after many years of double-digit percentage growth, as shoppers reduced their spending in the economic downturn and leading retailers reduced organic ranges and shelf space.
- ▶ Clear signs of revival in the organic market suggest that it will return to growth in 2010. Over 60% of the UK's biggest organic brands are planning for growth in 2010. The Soil Association predicts a market expansion of 2–5%.
- ▶ The proportion of households buying some organic food fell slightly in 2009, from 88.9% to 88.3%.
- ▶ Organic milk, baby food and home cooking ingredients were the food categories that resisted the downward trend in sales, with sales increasing by 1%, 20.8% and 1.4% respectively.
- ▶ Despite a drop in the market, sales of organic food were still more than three times higher than ten years previously and more than 50% higher than five years ago.
- ▶ Dairy products remain the most popular category, accounting for 33% of sales. Fresh fruit and vegetables account for 26%, home cooking ingredients and beverages for 6% each, and red meat for 5%.
- ▶ Sales of organic health and beauty products continued to grow dynamically, increasing by a third to £36 million.
- ▶ The area of organic land increased by 9% on the previous year, up to 4.3% of agricultural land.

The organic consumer

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

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

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

TOP TEN REASONS FOR BUYING ORGANIC PRODUCTS*

Naturalness/unprocessed	40%
Restricted use of pesticides	34%
Better taste	30%
Better for my well-being	28%
Better for the planet	25%
More care in farming	24%
Kind to animals	22%
GM free	18%
Encourages wildlife	16%
Helping climate change	12%

*Onepoll.com

UK SALES OF ORGANIC PRODUCTS 1995–2009†

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

†Soil Association Organic Market Reports/Organic Food and Farming Reports 1999–2009

The UK organic market

The three biggest categories of organic food in terms of retail sales value – dairy, produce and fresh meat – saw their sales fall by 5.5%, 14.8% and 22.7% respectively in 2009.

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

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

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

PRODUCT SHARE OF THE UK ORGANIC MARKET IN 2009‡

and sales performance in 2009 compared to 2008

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

‡excluding baby food

RETAIL SHARE OF THE UK ORGANIC MARKET IN 2008 AND 2009§

and sales performance in 2009 compared to 2008

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

§Kantar Worldpanel insight

Organic farming in the UK

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

The amount of land in conversion to organic status dropped by 6.6%, to 149,103 hectares. This shows that the rate of conversion is slowing but suggests that the area of organic land will continue to increase for the foreseeable future.

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

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

ORGANICALLY MANAGED LAND IN THE UK 2003-09

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

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

and area change in 2009 compared to 2008

Organic 2009	594,413	+11.79%
Organic 2008	520,489	
In conversion 2009	149,103	-4.36%
In conversion 2008	155,898	
Total 2009	743,516	+9.92%
Total 2008	676,387	

ENGLAND

Organic 2009	283,993	+8.89%
Organic 2008	256,170	
In conversion 2009	91,074	+2.24%
In conversion 2008	87,283	
Total 2009	375,067	+9.2%
Total 2008	343,453	

NORTHERN IRELAND

Organic 2009	10,141	+28.02%
Organic 2008	7,257	
In conversion 2009	2,350	-35.69%
In conversion 2008	3,144	
Total 2009	12,491	+19.98%
Total 2008	10,411	

SCOTLAND

Organic 2009	225,137	+14.22%
Organic 2008	192,097	
In conversion 2009	6,204	-460.27%
In conversion 2008	34,616	
Total 2009	231,341	+2.04%
Total 2008	226,713	

WALES

Organic 2009	75,143	+13.33%
Organic 2008	64,955	
In conversion 2009	49,475	+37.53%
In conversion 2008	30,855	
Total 2009	124,618	+13.07%
Total 2008	95,810	

*Defra figures, based on reports from organic certification bodies in January 2008 and January 2009

Wider context

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

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

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

Looking forward

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

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

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

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



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