ORGANIC FARMING FOR SMALL SCALE PRODUCERS

REPORT FOR SOIL ASSOCIATION SCOTLAND
JANUARY 2012

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1. Research Objectives

The aim of this research was to investigate the feasibility of organic farming for small scale producers, and specifically to identify barriers to development and formulate proposals to encourage organic systems. The research was carried out with producers throughout Scotland, yet with particular reference to Scotland's remote areas. The study also aims to address one of the actions allocated to Soil Association Scotland in the Scottish Government's action plan for organic farming published in March 2011[1].

In summary, the study's objectives were to:

i. Explore the barriers to small scale production from a practical perspective
ii. Explore the feasibility of small scale producers being able to achieve organic status and access new markets;
iii. Identify where changes to the EU Standards for organic could be made;
iv. Identify skills development opportunities for small-scale farmers;
v. Identify appropriate support measures.

In order to ensure the integrity and robustness of the study's findings and proposals an Advisory Group comprising 13 members was established at the outset. Advisory Group members were located throughout Scotland and included organic and non organic producers, farming/crofting advisers, representatives of growers' organisations and leaders in community development. The Advisory Group was asked to provide feedback on our findings and to advise us on our suggestions for addressing some of the issues raised.

2. Methodology

It was decided that the best way to investigate and identify the issues around organic farming for small scale producers was initially to conduct a series of structured interviews with key informants (i.e. organic and conventional producers). Analysis of the information gathered from these interviews enabled us to identify key issues which we then investigated further.

As the research was to specifically address the issues of smallholders, it was decided, in discussion with Soil Association Scotland, to concentrate on holdings of 20 hectares or less. We aimed to interview 32 smallholders in total with a wide geographic coverage of Scotland.

Structured interviews were carried out (either face-to-face or telephone) with both organic and conventional smallholders in October and November 2011. The interviews with organic farmers focussed on the challenges in becoming and remaining organic; and the interviews with the conventional smallholders sought their views on converting and registering as organic producers.

<u>Organic Producers Survey</u>

Soil Association Scotland provided some details of organically registered producers with 20ha or less. Interestingly, 70% of these had only 5ha or less and therefore our responses were skewed accordingly. An introductory email was sent to 26 producers (with 20ha or less) registered with the Soil Association, asking them to take part in 20 minute interview. SOPA also sent an introductory

[1] Organic Futures: An Action Plan for Organic Food and Farming in Scotland, p24 (http://www.scotland.gov.uk/Publications/2011/03/14093552/0).

email to 10 of their registered producers inviting them to also take part. We interviewed 13 producers out of the total of 36 emailed (36%), 12 were registered with the Soil Association and 1 with SOPA. We conducted an additional 3 interviews (2 were registered with SOPA) – 1 with a member of the Advisory Group and 2 at the Federation of City Farms and Community Gardens (FCFCG) networking event (see below). The 16 interviewees were located throughout the Highlands and Islands, Aberdeenshire, Moray, Perthshire, Angus and Argyll.

Conventional Producers Survey

We attended the Federation of City Farms and Community Gardens national networking event, Growing Communities in Scotland, in Perth in October 2011. Information about our study was presented during an introductory session and participants were invited to take part in the study by attending our stand at the drop-in session. 12 conventional producers were interviewed at the event (along with 2 organically registered producers).

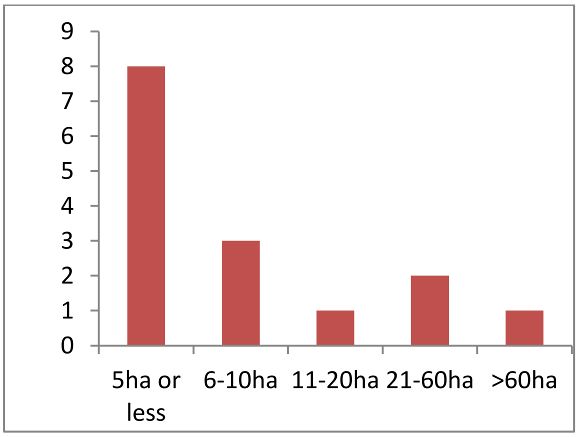
We also interviewed the chairwoman of the Scottish Smallholders Association, whose members are mostly based in the south of Scotland, and 2 Advisory Group members who are smallholders. The Wholesome Food Association was mentioned several times so we sought an interview with one of their members in the north of Scotland.

In total we interviewed 16 conventional smallholders. Due to the type of participants attending the FCFCG event, e.g. community gardeners, city farmers, allotment holders, the average holding size tended to be smaller than those of organic producers that we interviewed (see graphs below). The geographic distribution of conventional smallholders interviewed was Highlands, Aberdeenshire, Perth and Angus, East and West Lothian, Borders, Dundee, and Ayrshire.

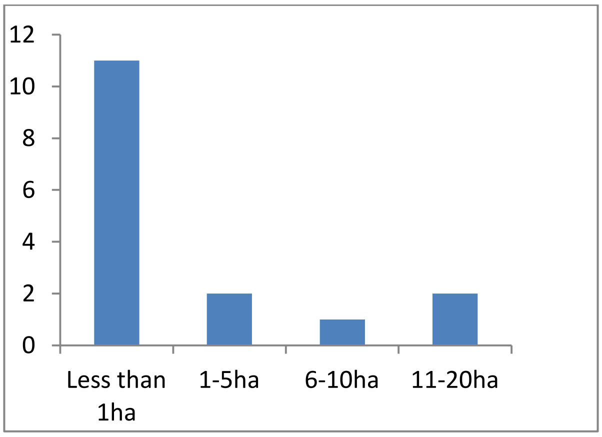
In order to adequately cover the full range of issues, particularly in remote areas we also attended a Trellis[2] event in Inverness and had numerous informal discussions with crofters and others who were working to support smallholders including: allotment officers and field workers at Trellis and FCFCG. These informal discussions are not recorded in the charts below.

Number of Producers Surveyed by Size of their Smallholding

Organic Producers



Conventional Producers



[2] Trellis is a Scottish charity that supports, promotes, and develops the use of horticulture to improve health, well-being and life opportunities for all. http://www.trellisscotland.org.uk

3. Findings

3.1 Organic Producers Survey

The findings of the key informant interviews that were carried out with the 16 organically registered producers are recorded below. The format followed a structured interview process, comprising a series of open questions, then analysing the responses and drawing together recurring themes. Interviewees were not constrained by a set number of options and the findings reflect the results of discussions and not a tick box approach.

Why did you decide to become a certified organic producer?

Personal belief	Add Value	Customer confidence	Enhance existing business
8	3	2	2

The majority of small-scale producers are organic because they have a strong commitment to organic principles and not for business reasons.
The larger businesses require certification to add value to their product in the market place.
A small number of producers had an existing business, e.g. B&B or Hotel, and could see an opportunity to offer organic produce to their guests as an added incentive.

How do you market your produce?

Farmers Markets	Local Hotels/Restaurants	Box Schemes	Wholesale/off holding	Niche market
8	6	5	4	2

The majority of producers engaged in face-to-face sales at farmers markets or through local hotels or restaurants. With relatively low volumes of produce this offered the simplest marketing option.
The larger businesses sought to realise a premium for their organic produce through distance marketing. Box schemes worked well if near centres of population and others had wholesale outlets or individual top-end clients in London for example.

What were your biggest challenges in conversion/setting up?

Physical conversion	Cost of inputs and fees	Lack of advice/support	Sourcing inputs	Paperwork
3	3	2	2	2

The overall impression was that most producers found the conversion process relatively straightforward. There were individual issues with difficult land and sourcing the right seed mixtures in the more challenging areas in terms of soils and climate.
There were mixed views on the help and advice available and paperwork is always an issue, but generally people found the process OK.

What are your greatest challenges now?

Sourcing Inputs	Livestock standards	Making it pay	Derogations
8	4	5	3

The greatest challenge for most producers is the difficulty and cost of sourcing their main inputs.

This applies to horticultural producers in terms of compost, manure and seeds; and for the livestock producers sourcing concentrate or protein feeds (and in some remote areas bedding) is the main challenge.
Availability, cost and long distance from suppliers are the challenges facing most of the remoter producers. For example feed is often available only in bulk loads and having to come a long distance, which raises concerns about the carbon footprint involved.
Those with organic livestock on their holding or wishing to use non-organic stock to manage their grassland are also experiencing difficulties with the relevant standards, particularly with regard to grazing periods and use of manure from non-organic animals.
For a number of horticultural producers the requirement to seek repeated derogations for very small quantities of untreated seeds of specialist varieties is proving an increasing irritation and inconvenience.

Comments on control/inspection requirements and fees

Fees too high for small prod	Helpful (esp. initially)	Too much focus on records	Lack of advice
10	4	3	2

Overwhelming view that the fees charged to small producers are too high in relation to their turnover and scale of enterprise. The fee in many cases is well in excess of any net income achieved from sales. Many view this cost as the greatest obstacle in retaining certification.
The producers who have been certified for some time (10 years+) reported that initially inspections had been a helpful and informative process with a two-way exchange of information and knowledge, but had more recently become more of a paper chase with less emphasis on the practical. This was viewed as a negative development.

Standards
Are there any particular standards that you find it difficult to comply with? Should it be made easier?

Sourcing inputs(feed/compost)	Livestock - not workable	Need to remain strict	Slow/complex derogations
5	4	3	2

The general view was that the standards per se are reasonable but that there is increasing difficulty in sourcing compliant materials. The GM factor has had major implications in terms of feed stuffs and manure, driving up prices and restricting availability of the animal feed and significantly curtailing supplies of locally sourced manure (risk of GM contamination from livestock fed conventional animal feeds).
As well as the issue with sourcing compost and manure, growers find the derogation procedures, for seeds in particular, unnecessarily (in their view) time-consuming.

Comments on grant schemes
Have you taken up any of the schemes?

Not helpful for small prod	RP too complex and little reward	Help with fees/transition	CCAGS useful
6	6	3	1

There was a strong view that present range of grant schemes is not suited to the smaller producer. Challenging and often costly application process with little financial gain at the end.

The producers who benefited from the original Organic Aid Scheme however reported that the additional financial support during conversion was critical in seeing them through the transition phase when output often fell and investments were required.
A few smaller producers did say that the small levels of grant did help off-set the annual certification costs which was a help.
(It should be noted that the latest round of applications through Rural Priorities has seen the success rate of organic related application increase from some 46% last year to 95% following a change in policy, but this will not be reflected in this study).

Barriers to organic production
Why in your view have more people not converted to organic production?

Sourcing inputs/costs	Fees for small prod	Lack of understanding	Local Food enough
6	5	4	2

The issue of sourcing key inputs at an affordable cost, often in the remoter parts of Scotland, was seen as a barrier to those contemplating conversion. When these costs were considered along with the certification costs the economics of becoming certified organic did not make sense.
There is also a view that the perception of what becoming organic actually involves is misunderstood by many, in terms of the implications for animal health and possible margins achievable for example.
There is also a growing confusion amongst consumers, and producers to some degree, about the differences between organic and locally grown/chemical free produce. The latter is sufficient demarcation of the product for many.

What is required to make organic production more appealing to producers?

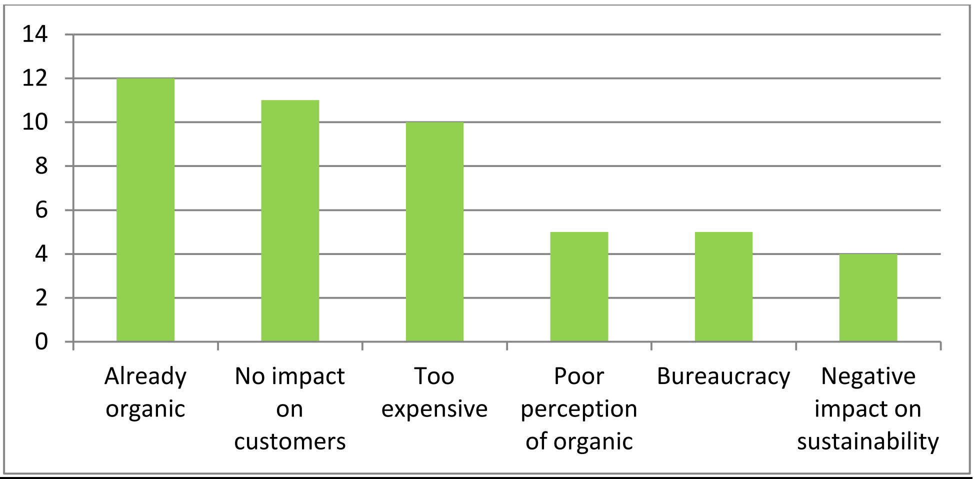
Dedicated support for small producers	Help with collaboration	Education about organic	Marketing chain	Revisit livestock rules
8	7	4	4	2

Many small producers felt that there was a lack of dedicated support available to them, both in terms of technical help and financial support. The help available seemed to cater for the larger organic producers with little understanding of the circumstances and needs of the smaller or isolated producer.
With a declining number of organic producers in some areas it was felt help was required to build networks or clusters of producers to help with costs and general peer support.
There was a view that the true message about organic production is being lost and that a refresh was needed to engage both customers and producers.
On the livestock side there was a need for a more co-ordinated and visible marketing chain for store animals, which was often the only realistic output from marginal small holdings. With store animals being sold at conventional prices or less, and often losing their organic status, there is no margin and links to organic finishers aren't common.
Also with regard to livestock some felt that a review of the present standards regarding the risks of GM contamination in livestock feeds and manure from non-organic stock could be beneficial.

3.2 Conventional Producers Survey

Why not organic?

We asked smallholders who were not registered as organic open questions around why they were not organic, or why they hadn't considered registering as organic. The type and number of responses are summarised in the chart below.



Twelve respondents said that they were already growing "organically", but were not registered (although 2 had been previously registered). When asked to describe what they meant by "organic", some said "chemical free" and others said they were trying to be as environmentally friendly and sustainable as possible.

Eleven respondents said that registering as organic would have no impact on their customers. Of these, 5 respondents felt that quality, local and freshness were more important than an organic label and 4 said that they already had good reputation with customers. One respondent said that customers were only interested in "chemical free" produce and another said that a "low impact" label was more meaningful.

Ten respondents said that registering as organic was too expensive for a smallholder; most of these respondents qualified that by saying that they did not conduct enough business to justify the fee. One mentioned the cost of organic seed and compost, and another noted the cost of organic feed.

Five respondents said that they would not consider registering as organic due to the public's perception of organic produce. Three out of these 5 said there was a lack of understanding of the organic label. The other 2 said that organic was losing its status and that an organic label means "expensive".

Five respondents said that the registration process was too bureaucratic or onerous with "too many rules", "too much paperwork" and "longwinded". One respondent who had previously been registered said it was too stressful.

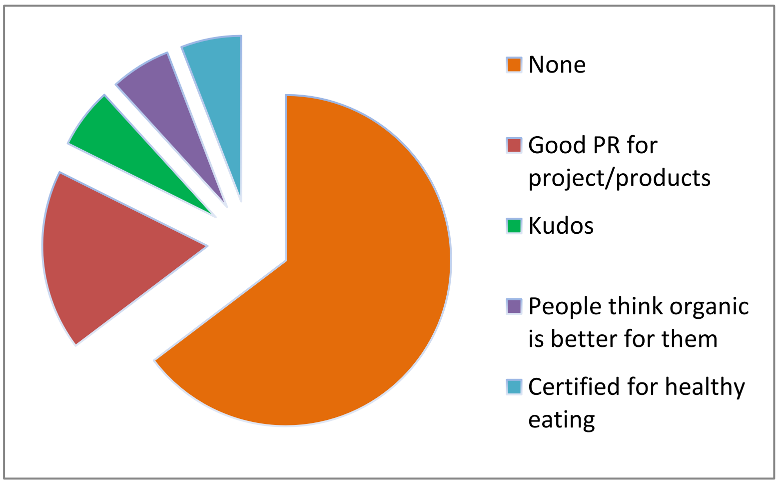
Four respondents said that if they registered as organic it would have negative impact on their sustainability. The explanation being that they would need to buy in inputs, as they wouldn't be able to use their own manure or compost, thereby increasing their environmental impact.

Other comments included:

- "it would be nice but not remotely essential"
- "we would need to understand better and work through the cost implications"
- "the conversion payments are not attractive"

Would there be any advantages to being registered as organic?

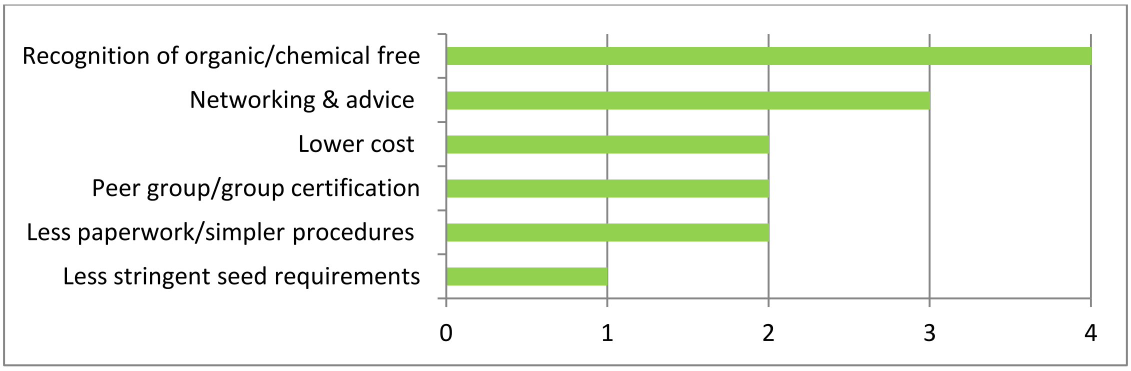
We went on to ask participants, **if the constraints mentioned above were not insurmountable**; would there be any advantage to being registered as organic.



Whilst the majority replied that registering as organic would be of no advantage, 2 respondents thought that the positive PR might help their project, another thought it might help with kudos. One respondent thought it might help as "people think organic is better for them"; and another who was associated with a farm cafe thought that it might help being "certified for healthy eating".

What would help?

Finally, the conventional smallholders were asked what would help them to register as organic. Four respondents said that although they did not want to be registered as organic some recognition of their "organic" system or chemical free production techniques would help. Three felt that networking and advice on growing would help. Two respondents felt that lowering the cost of registration would help along with some kind of group or peer group certification. Two thought that simpler procedures and less paperwork would help, whilst 1 mentioned less stringent organic seed requirements.

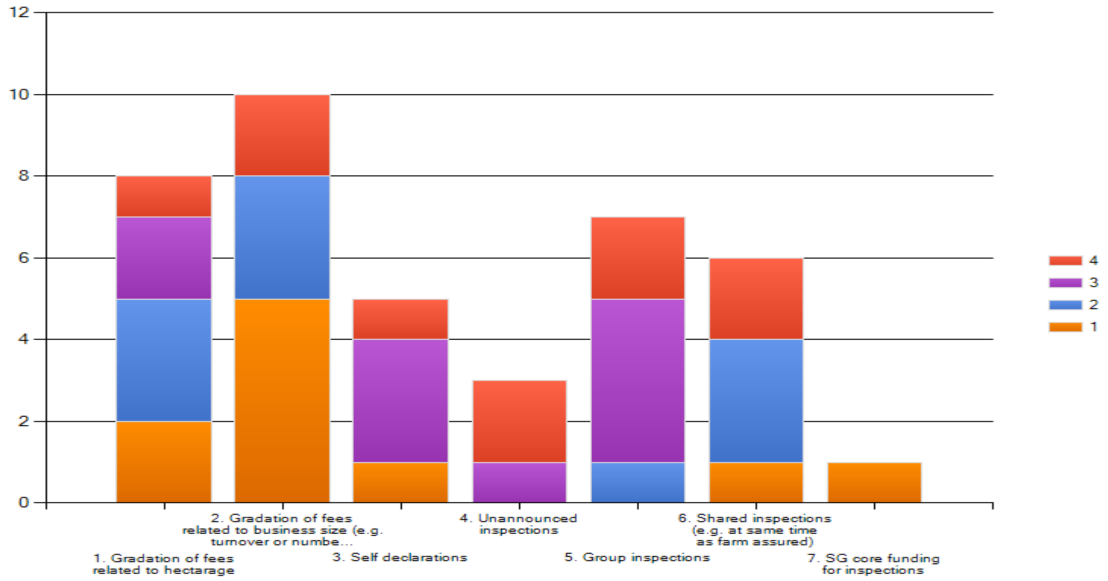


4 Key Issues and Actions

Our findings were grouped into key issues and members of the Advisory Group were asked, via a Survey Monkey survey, to rank possible actions to address them. Ten out of the 13 advisory group members responded to the survey and their responses are summarised below.

4.1 Fees

<u>Issues</u>	<u>Possible Actions</u>
Fees are much too high for small producers relative to level of activity and output. It is not value for money. Most people don't look past the fee, and small businesses simply can't support it. There is a lack of proportionality in the fee structure.	• Gradation of fee structure related to size of business (hectares or scale/no of employees) • Self declarations • Unannounced/spot inspections • Group inspections • Shared inspections (e.g. farm assured) • Scottish Government core funding for inspections



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

<u>Top Ranked Actions</u>

1. Gradation of fee structure related to size of business
2. Gradation of fees related to hectares
3. Shared inspections, group inspections and self declarations.

<u>Advisory Group Comments</u>

Certification has become an industry that serves wealthier producers and has caused problems for smaller producers. The market should involve more regional bodies.

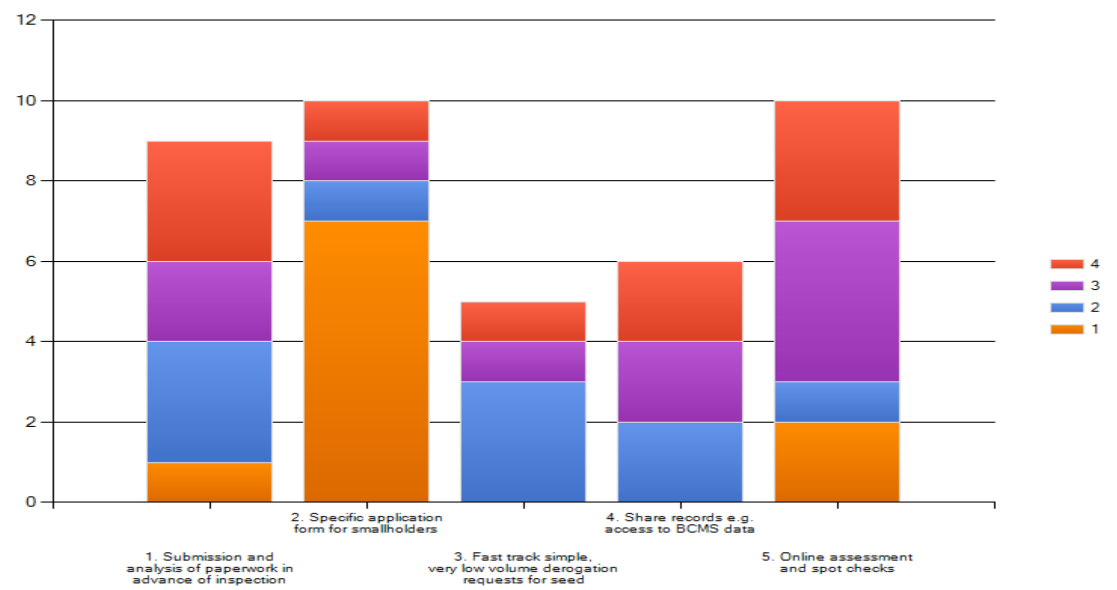
Once fully converted, after 2 years, inspections for small producers could be shortened or self declarations made followed up by spot inspections.

Two advisory group members raised concerns about self declarations regarding product integrity and that it may not stand up to scrutiny of audit; they also said that the public perception of self declaration may be sceptical. Three of the advisory group commented positively on self certification or peer group certification, commenting that group members have an interest in maintaining standards so will audit each others' systems and records appropriately.

One respondent stated that shared inspections are already possible and taking place.

4.2 Bureaucracy

Issues	Possible Actions
Application forms are not geared to smallholders – recording activities by field number is often difficult. Most of the form is irrelevant. Registration and inspection is a bureaucratically hefty process and needs streamlining. Endless paperwork is considered overkill for such a small producer. Inspections for smallholders should be more efficient. Producers are ready with all the forms, receipts & derogations and have to wait for the inspector to fill out his/her paperwork. More preparation by the inspector would reduce this down time. Derogation requests are frustrating and have to be repeated year after year to make the same case for the same seed source.	• Specific application form for smallholders geared towards recording small areas of activity and which cuts out irrelevant sections. • Fast track simple very low volume derogation requests for seed derogations • Share records e.g. access to BCMS data • Submission and analysis of paperwork in advance of inspection • Online assessment and spot checks



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Specific application form for smallholders.
2. Online assessment and spot checks.
3. Submission and analysis of paperwork in advance of inspection.

Advisory Group Comments

Paperwork gets easier over time so submission of paperwork in advance of inspection and online assessment could be done, once licensees were fully organic after, say, 2 inspections.

The annual questionnaire does not suit small scale producers producing a large range of produce.

An alternative application form could be available for seed derogations where all seed varieties being applied for, for the same reason, could be listed.

Could there be 1 person responsible for all small scale licenses in Scotland, organising on-line assessments and spot checks?

The bureaucracy has been created to satisfy UKAS (visits to holdings is a requirement of UKAS) and does lend integrity. Certification requires conformity, and integrity must be assured while simplifying the audit process. The standard setting bodies should take the lead in developing robust and transparent systems for the field officers to implement.

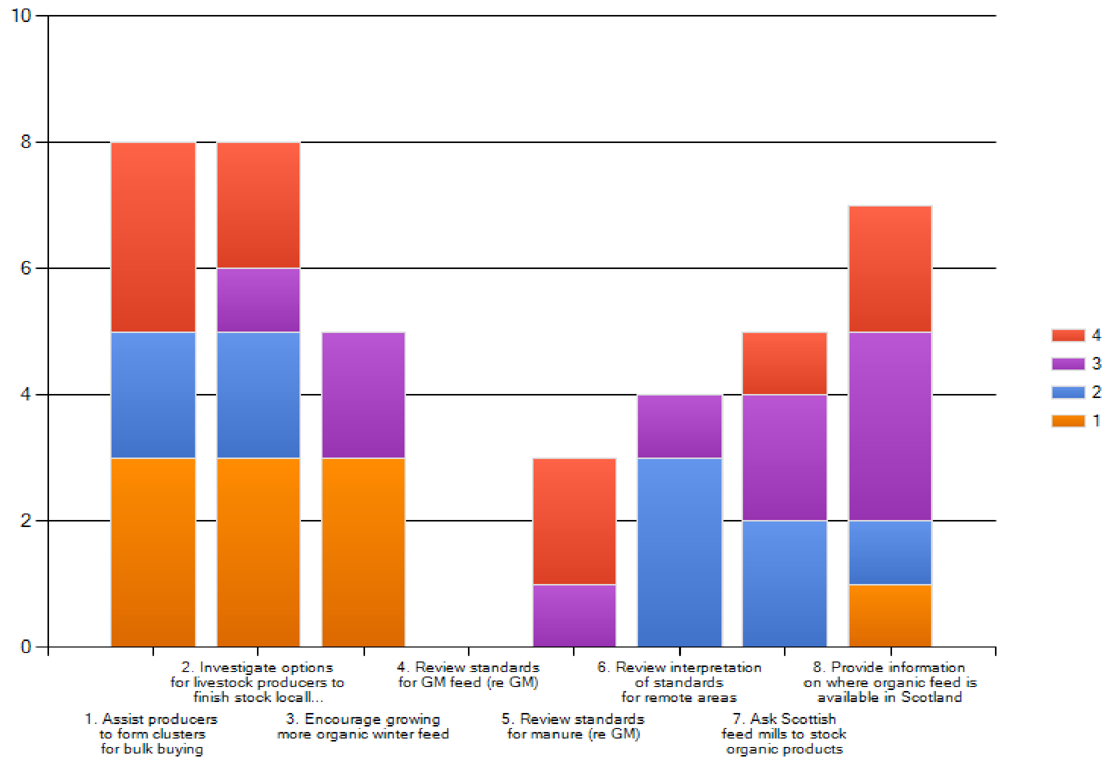
There may be data protection issues in permitting certification bodies to share BCMS data.

Online assessment forms are available to SOPA members.

4.3 Economic Reality

Issues	Possible Actions
Input costs – can't buy in bulk as only small quantities needed and difficult to source at a sensible price. The price for concentrate and protein feeds tends to be around 50% higher than equivalent conventional feeds and even higher as have to buy small quantities and pay haulage, often from considerable distance. Mainstream buyers don't stock organic. Conflict with sustainability re distance from suppliers. Approved fertilisers, spays and soil ameliorations are also all expensive and issues with maintaining soil fertility in the more challenging areas. On the larger holdings, once through conversion and with productive swards established, significant savings on forage costs and animal health treatments can be achieved and Gross Margins can exceed conventional production **but only if**	• Assist producers to form clusters for bulk buying • Investigate options to finish more livestock locally and retain organic status • Encourage growing of more winter feed on holdings • Review standards for organic feed (re GM risk) • Consider standards for manure from conventional livestock (re GM risk) • Review derogation or interpretation of standards for remote areas • Contact Scottish feed-mills to see if they will stock organic products • Provide producers with map of where feed is available in Scotland to reduce feed miles.

producer can finish livestock (see Annex 1). No evidence in this study that this can be achieved through store production, which is the reality for many small and remote units (see Annex 2).	



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Investigate options for livestock producers to finish stock locally to retain organic status
2. Assist producers to form clusters for bulk buying
3. Encourage growing more organic winter feed
4. Provide information on where organic feed is available in Scotland

Advisory Group Comments

Time and resources has been invested to assist remote producers with little success. Many operators are unable to match the commitment required.

Availability is not a problem but logistics and cost is.

A different set of standards for remote or small producers would raise concerns about equivalence and trade with other organic producers. This would result in further confusion about organic food. Increased (not reduced) differentiation is key to organic brand recognition. Asking questions about GM and non organic manures shows disregard for existing standards and integrity of the organic product.

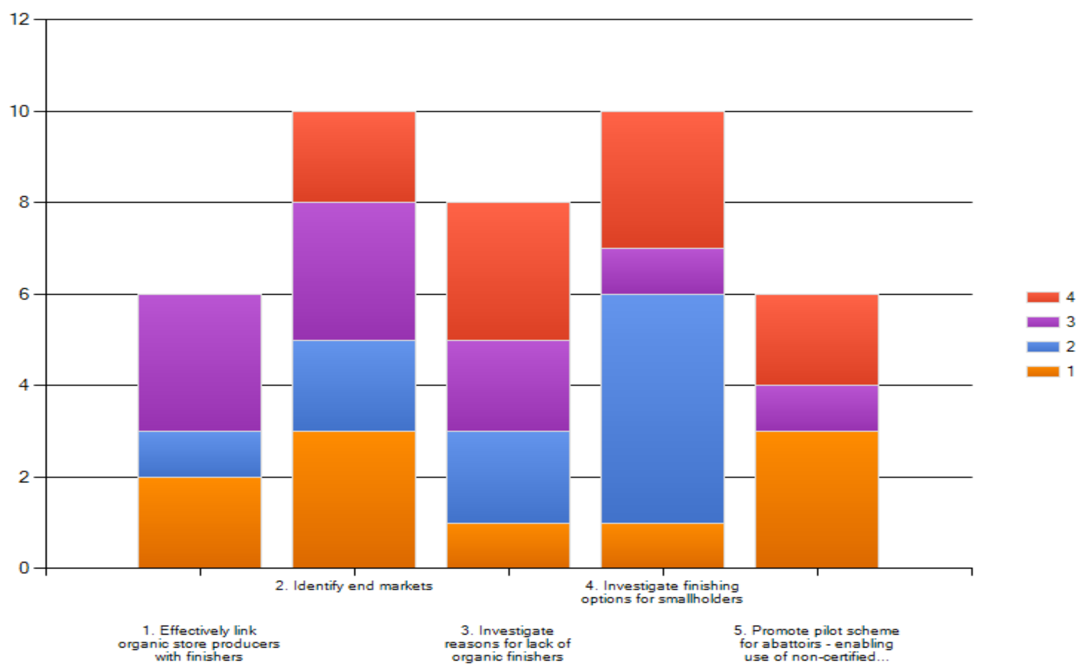
Local field officers are best placed to implement (the top 3) actions. Small scale producers may have to reduce carrying capacity to grow more winter feed. Growers could be contracted to supply winter feed needs.

Information exists on organic feed stockists in Scotland – this should be made available to producers via access to members' websites.

Almost all of the proposed actions would be highly beneficial. The issue of GM contamination of feed certainly needs to be addressed but not necessarily by relaxing standards.

4.4 Livestock Supply Chain

Issues	Possible Actions
Livestock supply chain suffers from a lack of volume (critical mass) and availability of local slaughter facilities. Organic stores sold as conventional as no linkage with organic finishers. Premium and status often lost. Lack of certified abattoirs.	• Organise stratified system linking store producers with finishers/grow on contract • Identify end markets • Investigate reasons for lack of organic finishers • Look at a range of finishing options on smaller remote units • Promote pilot scheme for abattoirs where organic producers can use non-certified premises – producer responsibility - holds the meat stamp.



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Identify end markets
2. Investigate finishing options for smallholders

After these 2, the other options ranked fairly evenly.

Advisory Group Comments

All have been tried or are already available, e.g. SAC, SOPA, Caledonian Organics. There may be lack of technical knowledge for store producers in understanding the needs of the finisher.

The issue is not the supply chain, but identifying a market and supplying it with a product that can be produced sustainably.

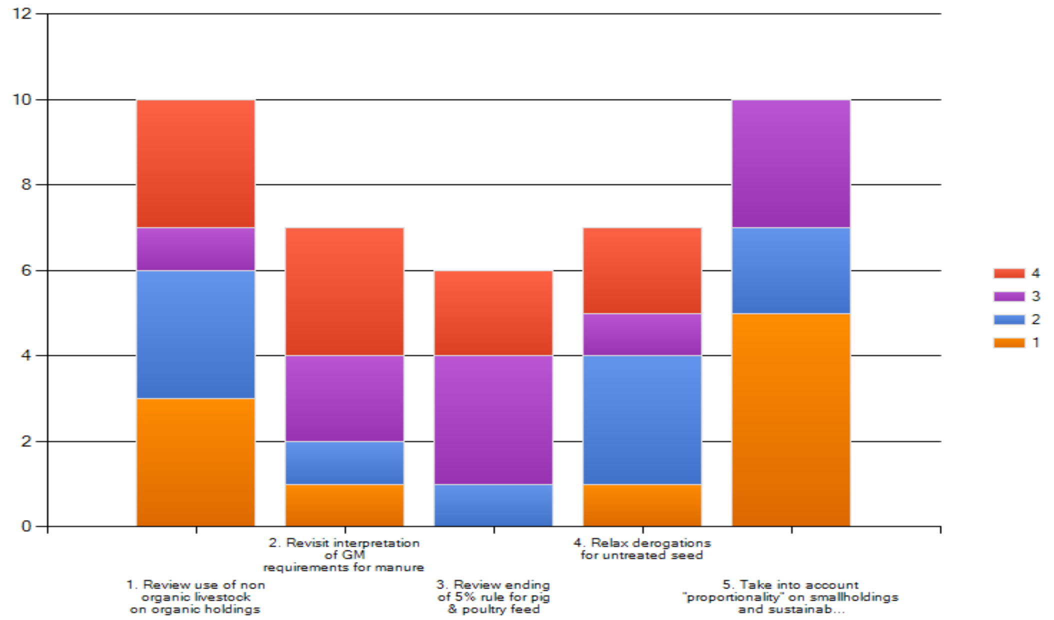
Organic producers should be encouraged to form groups and research the answers – other businesses have to sell their products and it should be no different for organic producers. Funding for scoping studies, research and marketing is available.

Local end-markets could be explored.

Problem isn't number of organic finishers or connecting store producers and finishers, but lack of numbers for transporting from small units.

4.5 Organic Standards

Issues	Possible Actions
Standards – drive up costs and compromise flexibility. For example frustration at not being able to use local manure due to risk of GM in feed of animals that produced it. Removal of 5% allowance of conventional feed in pig and poultry diet will be final straw for some (also some understanding that the present allowance is 10%). Also possibility of no longer able to source local non-organic pullets to rear organically and produce organic eggs. Complex derogation required to use small quantities of select untreated veg seeds is source of irritation.	• Review use of non organic livestock on organic holdings • Review interpretation and implementation of GM free requirements of manure • Review ending of 5% rule for pig and poultry feed • Relax derogations for untreated seed • Recognition of local circumstances – take into account "proportionality" and sustainability of local systems



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Take into account "proportionality" on smallholdings and sustainability of local systems
2. Review use of non organic livestock on organic holdings
3. Relax derogations for untreated seed

Advisory Group Comments

Non organic livestock are permitted under derogation.

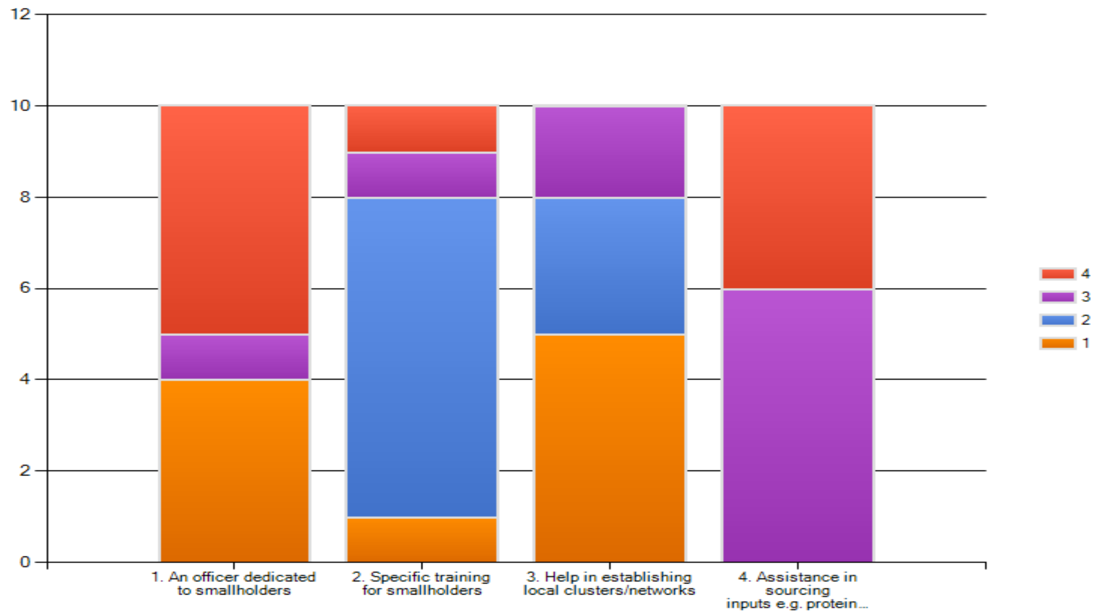
GM issue is much wider than the organic sector. Standards must have credibility not be watered down to include non organic stock and GM. Standards are EU requirements. Pig and poultry derogation has already been reviewed and an announcement made in Dec 2011[3].

4.6 Advice and Support for Smallholders

Issues	Possible Actions
Advice – generally difficult to find specialist practical support re seed varieties, soil requirements/nutrient deficiencies, particularly for small producers in challenging conditions. SAC used to have 5-6 horticultural specialists but no longer provide this service. SOPA don't provide the service and SA don't have it in Scotland though can access specific support.	• Officer dedicated to support smallholders • Specific training courses designed for smallholders • Help in establishing local clusters/networks

[3] DEFRA Note of 8th Dec 2011 refers see attached link http://www.sacert.org/news/newsandfeatures/articleid/2875/defra-guidance-on-use-of-non-organic-feed-and-poultry-after-2011

Some fear and lack of understanding of what happens during transition in terms of levels of production and animal health for example – many concerns unfounded but not understood. Support – some mentioned Organic Aid Scheme which did provide much needed help during conversion but Rural Priorities much less supportive particularly for small producers – payments more or less covered cost of application. Bureaucratic for smallholders, time consuming and costly for not much return. Networks – some asked for better connections with like-minded people.	• Assist in sourcing inputs e.g. protein feeds and hardy varieties



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Help in establishing local clusters/networks
2. Officer dedicated to support smallholders
3. Specific training courses designed for smallholders

Advisory Group Comments

Suggest specific training in self declarations to groups of small scale producers implemented by dedicated officer. Similarly, specific training in organic conversion.

A dedicated officer could organise events in different areas such as those organised by the Organic Growers Alliance to help establish networks.

Is a specific smallholders post feasible? This research shows that demand is low and the majority of producers interviewed say that organic certification brought no benefit to their operation.

There are existing advisory roles in Scotland with support and training offered and delivered.

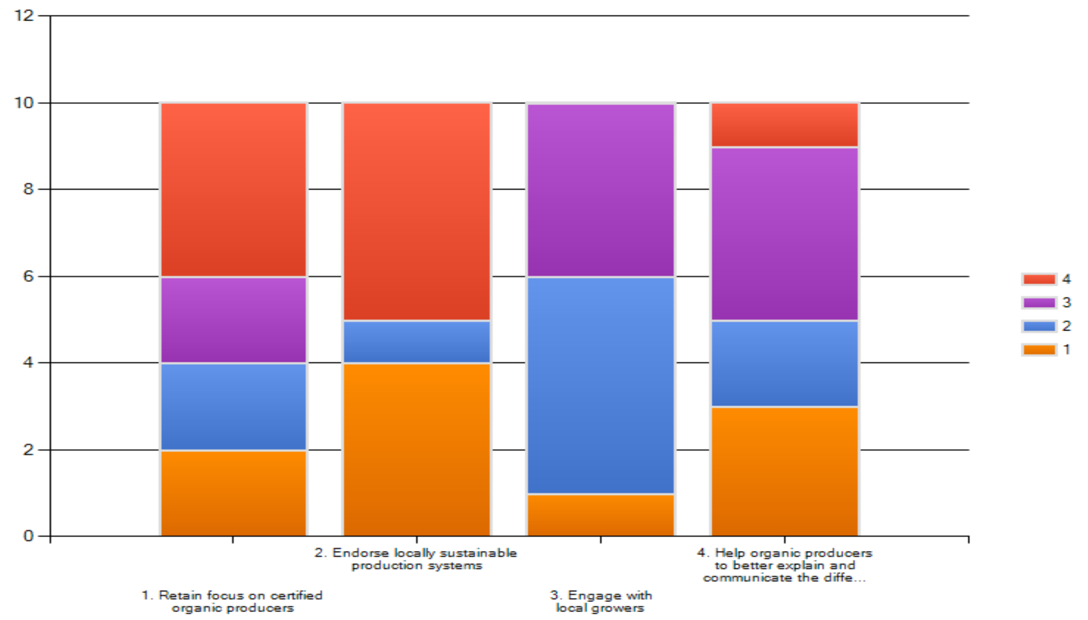
Local field officers could be supported by organic associations and SAC with match funding from RP funds.

Training in the Highlands and Islands could be addressed through the Crofters and Small Landholder Training Programme.

Help in establishing local clusters/networks is being addressed by Market Link project.

4.7 Competition with Locally Grown/Chemical Free

Issues	Possible Actions
Blurred lines between 'organic' and naturally grown local produce. The latter is sufficient demarcation for the majority of small producers and no benefit from the extra burdens (financial and bureaucratic) in being certified organic. Organic certification is of less relevance and value for small scale producers using only local and face to face sales outlets. Particularly so in rural situations. Big interest in 'grow your own' and gardens. Weakened market for certified organic produce with previous customers growing some of their own. Highly motivated "gardeners" who care about how they produce.	• Retain focus only on certified organic producers and live with level of confusion and competition • Endorse locally sustainable production systems • Engage with "local" growers at some level as possibly good advocates for "organically grown" - But risk undermining organically certified producers. Help organic producers better explain and communicate the differences between organic and locally grown.



Actions ranked 1st 2nd 3rd or 4th by Advisory Group

Top Ranked Actions

1. Endorse locally sustainable production systems
2. Help organic producers to better explain and communicate the differences between organic and locally grown.
3. Retain focus only on certified organic producers and live with level of confusion and competition

Advisory Group Comments

A dedicated officer could help with these actions.

A basic flier explaining why people should support their local organic producer?

Standards suit south of England but need to address the standards as everything else devalues organic status.

We should be encouraging further differentiation between organic and non organic foods. Encouraging labelling or promotional messages using the term “nearly organic” undermines the integrity of the organic label.

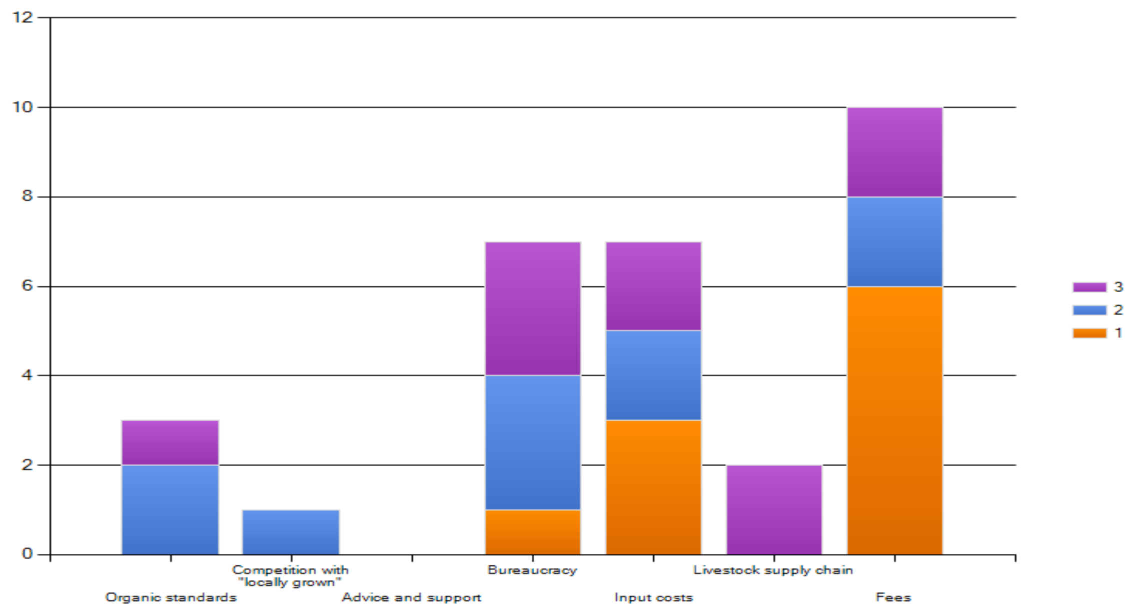
There are distinct markets for both organic and local/chemical free producers. Assistance to better understand marketing skills for promoting organic to its own niche and extending that customer base could be provided through field officers, SAC and enabled via application to funding sources.

Make it easier for local and chemical free producers to attain organic certification.

4.8 Other Comments made by the Advisory Group

In order to check that our findings were comprehensive, we asked advisory group members if we had correctly identified all the main barriers to development of organic farming for smallholders. Nine out of the 10 respondents said that we had. The 1 dissenter said that by and large the issues identified were correct but that the requirement to overwinter cattle on straw in the Highlands and Islands was impossible on a cost basis. Adding that wintering on slats meets all welfare standards.

We asked the Advisory Group to rank the issues/barriers in order of importance. The chart over page shows the issues that members ranked either first, second or third. Fees, input costs and bureaucracy were ranked as the top 3 barriers to development of organic systems for smallholders. Fees was the only issue that all 10 respondents ranked either first, second or third; with 6 out of the 10 making it their first choice.



Other comments recorded:

SGRPID use FWPS criteria to define land types, which disadvantages potential conversion payments the further north you go. Also, that conversion payments are in competition with LFASS – as LFASS is based on stocking density it is difficult for producers to contemplate the reduction in stock required for a sustainable organic system.

The research should have begun with why customers buy organic, then work your way back to the product the place and the system. The organic system starts with a consumer's appreciation for something they perceive to be better.

Suggest the formation of properly structured co-operative groups where they are in reasonable proximity to each other. This might confer some economy of scale. Field officers/inspectors should have an advisory role as well as auditing the paperwork and ticking boxes.

Further research with respect to business drivers, values and aspirations of small organic growers – are they driven by their own values and how does this fit with the values of consumers – has the relationship/trust between producer and consumer superseded organic certification? Has pesticide free/naturally grown/sustainable won the hearts of the consumer in broad terms of brand identity? Has organics done its job and moved production and consumer values towards its principles?

5 Conclusions

Our findings reveal that, at the present time, the most significant barriers to growing the organic sector for smallholders are the fees and bureaucracy surrounding organic certification; and the input costs required for organic production. There is comparatively little frustration with organic standards and widespread support for their robustness and integrity. Although this study focussed on the views of producers about their production systems, comments were made about the perception of the organic label. There is a general view that consumers' perceptions are based around their feelings towards the organic brand rather than a deeper or more fundamental understanding of a product produced from a sustainable agricultural system. This research also poses some interesting questions about how, or whether, to engage with an increasing number of small scale "chemical free" or "low input" growers, particularly as they are beginning to move into territory previously occupied by organic growers.

Regarding certification, EU Organic Regulations state that a physical inspection is required once a year, but these can be unannounced and the farmer/crofter does not have to be present. Although group schemes have been tried in the past and proved difficult and expensive to administer, some of our respondents felt that self certification and peer-group certification should be an option in some circumstances – particularly where certification had been achieved for several years. There is also support, for those who are familiar with the system, for on-line assessments accompanied by spot checks. However all agree that credibility and integrity must be assured in any certification process. It should also be noted that pre-application advice and support was valued by those in conversion or newly converted.

The level of response to the issue surrounding fees and inspections suggests that something must be done to reduce the bureaucracy, and hence fees, surrounding organic certification. To reduce costs, inspectors do co-ordinate their visits geographically and some joint/shared inspections are already taking place; however as one Soil Association employee stated: if the emphasis was on auditing then the inspection could be shorter and possibly cheaper. A "quick win" would be to design application forms that are relevant and simpler for small scale producers.

The alternative is to explore funding from elsewhere to cover the fees for smallholders, or remote smallholders – where the issues are more acute.

Recommendation 1: Explore the potential for a more proportionate fee structure for small producers.

Recommendation 2: Devise a more appropriate and simpler application form for smallholders that would facilitate a more efficient inspection process.

There are clearly problems and frustrations being expressed by growers regarding seed derogations and this can be resolved by some communication on the issue, making the process more straightforward, and by fast tracking repeat requests.

Recommendation 3: Investigate the issues involved in repetitive seed derogation requests with the aim to improve the process. This may be achieved by providing clearer guidance for the producer, a revised derogation process and/or accelerated decision making.

It is clear that alongside the cost of certification the other main economic challenge facing small organic producers is the high cost of inputs, and this is particularly so in the remoter areas. With main inputs such as livestock feed and bedding, and compost for horticultural producers, having to be sourced from distant suppliers and often only available in larger quantities, the unit cost of these goods can be prohibitive to the small remote producer.

Recommendation 4:

- ***Provide more information on sources of organic inputs;***
- ***Assist organic producers to become more active in forming clusters to purchase larger quantities and reduce costs;***
- ***Help producers explore the practicalities of producing (or sourcing) home grown feed***.

The organic standards are seen as both reasonable and essential by most producers. Compliance can however be costly for small producers and without a significant premium for the organic product it is proving for many to be uneconomic to either continue with, or to enter into, organic production on a small unit in a remote area. The majority of smallholders engaged in direct sales who choose to retain certification do so because of a personal commitment and not for any economic gain.

Recommendation 5: Greater recognition and understanding of the problems facing small remote producers in terms of compliance is required, with a view to applying proportionality (within strict guidelines) and providing greater support and guidance on how to achieve compliance at an affordable cost in each circumstance.

There is a difficulty for smallholders producing organic livestock in the form of store cattle and sheep. The combination of low volumes of stock, raised in dispersed and remote locations has resulted in a marketing failure. There is often no premium realised for the organic store animal over the non-organic store and further the organic status of these animals is often lost when the animal is sold for finishing. The solution may lie in either exploring ways to finish and market more organic stock on the holding of birth; or, where conditions on the home unit do not allow stock to be fattened (e.g. climate and soils restrictions for growing feed, size of unit, distance from slaughter facility), promoting better linkages with organic finishers to retain the organic status through to the end customer.

Recommendation 6:

- ***Investigate the potential for more home finishing of stock, including provision of home grown feed, availability of slaughter facilities and potential market outlets.***
- ***Explore the potential to better link the low volume and dispersed organic store producers with organic finishers to retain the organic status of the end product and increase the margin available.***
- ***Promote the use of the pilot scheme enabling use of non organic abattoirs.***

Throughout Scotland there is an increasing enthusiasm for small scale growing, with market gardens, allotment growing and community gardens all on the increase. These very small scale growers show little interest in organic certification yet are enthusiastic advocates of chemical free and low input systems. Whilst fees, bureaucracy and the high cost of organic inputs remain as barriers to organic certification, these “locally grown” producers will increasingly move into markets occupied by organic producers. Organic representatives could help organic producers by enabling them to better communicate to consumers the difference between organic and locally grown products.

Effective communication is a fundamental aspect of all of the issues raised throughout this research. Communicating effectively at all levels will greatly improve the success of recommendations 1-6.

Recommendation 7: Effective communication with

- ***Existing organic producers: informative, appealing and clear information on, for example, practical issues, suppliers, liaison with peers, connection to finishers, information on abattoirs, possibilities of co-operative working, and better engagement in the certification process. This could be co-ordinated via an officer specifically dedicated to smallholders.***
- ***Non organic producers who might be interested in conversion: Basic information about the requirements of organic standards, particularly regarding animal health. For these producers, messages are best received from peers who have actually experienced the process.***
- ***Consumers: Organic producers and representative bodies should consider ways to better explain and communicate the differences between organic systems and locally/naturally grown systems to consumers, in what may be becoming an increasingly indistinct area for consumers.***

Finally, whilst most of the issues that we have explored for small scale organic producers throughout Scotland will be familiar to larger scale organic producers, this research illustrates that the issues are compounded for smallholders simply because of the size of their operation - in terms of income generation and volume of production. These issues become critical where a small producer is also remote, and sometimes when they are isolated from other organic producers.

This research would not have been possible without the kind co-operation and thoughtful insights of many people interested in organic production in Scotland. Thank you to you all the producers and members of the Advisory Group who kindly gave up their time to take part in our surveys.

The Gross Margin analysis below, based on data from the SAC Farm Management Handbook 2011/12, compares organic and non-organic fat lamb production on a good quality unit of 10 hectares.

Gross margin data

Conventional		Organic	
Output		**Output**	
Finished lambs 80 @ £72	£ 5,760.00	Finished lambs 64 @ £80	£ 5,120.00
Store lambs 40 @ £60	£ 2,400.00	Store lambs 32 @ £60	£ 1,920.00
Draft ewes 18 @ £95	£ 1,710.00	Draft ewes 12 @ £95	£ 1,140.00
Wool 218kg @ £1.38/kg	£ 300.00	Wool 176kg @ £1.38/kg	£ 242.00
Gross Income	£ 10,170.00		£ 8,422.00
Less: 22 replacement gimmers @ £140	£ 3,080.00	Less 14 replacements @ £140	£ 1,960.00
Ram replacement (net)	£ 433.00	Ram replacement (net)	£ 346.00
Net Income	£ 6,657.00		£ 6,116.00
Variable Costs		**Variable Costs**	
Feed @ £215/t	£ 860.00	Feed @ £300/t	£ 960.00
Vet, Med and Dips	£ 474.00	Vet and Med	£ 192.00
Bedding Straw @ £80/t	£ 215.00	Bedding Straw @ £80/t	£ 172.00
Other costs (levies, haulage, shearing, tags)	£ 928.00	Other costs	£ 742.00
	£ 2,477.00		£ 2,066.00
GM before forage	£ 4,180.00	GM before forage	£ 4,050.00
Forage variable costs		Forage variable costs	
Silage (125kgN/ha) @ £220/ha	£ 440.00	Silage @ £94/ha	£ 188.00
Grazing @ £194/ha	£ 1,552.00	Grazing @ £64/ha	£ 512.00
Total forage costs	£ 1,992.00		£ 700.00
Total Variable costs (£2477+£1992)	£ 4,469.00	Total Vriable costs	£ 2,766.00
Gross Margin	£ 2,188.00	Gross Margin	£ 3,350.00

Points to note

- While the gross output from the non-organic system is significantly higher (£10,170 v's £8,422), much of this margin is recovered in the lower replacement costs in the organic situation leaving net income only some £500 higher in the non-organic system.
- There are significant savings in the before forage variable costs on the organic unit due mainly to improved health of stock and lower vet costs which more than off-sets the higher bought in feed costs.
- The savings in forage variable costs are dramatic for the organic unit (£700 v's £1992) and sufficient to more than compensate for the slightly lower GM before forage and produce a significantly higher final GM for the organic system of in

The example below looks at the real economics, as calculated by one organic producer, of producing store cattle on a small organic unit in 2009 compared to the equivalent return from a non-organic system.

COSTS	Organic	Non-organic
• Purchased organic forage 70 Bales hay @ £22 (£18)	£1540	£1260
• Compound-16% protein BOCM 2t Bulk delivered @ £275/t (£126)	£550	£252
• Minerals- 6xtubs@ £27 each (£18)	£162	£108
• Forage cost	£324	£970
	£2576	£2590
INCOME		
• 5 store calves Av 320Kgs @ £1.65/kg (£1.85)	£2640	£2960
• PROFIT	£64	£370

Points to note

- The higher costs of inputs in terms of bought in feed for the organic system are more or less balanced by the reduced forage costs, leaving similar variable costs.
- The income from these particular organic store calves was lower than the equivalent weight non-organic calves, highlighting the difficulty of realising a premium and when selling organic animals as stores (note - not all the calves were purchased by organic finishers).
- To off-set the annual certification fee the producer needed a significant premium over the non-organic product and the lower return made the venture unsustainable for this particular producer. This experience was replicated for the majority of smallholders surveyed that had reared, or considered rearing, organic store animals for sale.