

Assessment of Marketing Channels
for Conversion Grade Products

Ireland

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**Deliverable 5
Prepared under the project "CONVERSION"
QLK-2000-01112 of the European Commission's
Fifth Framework Research Programme**

August 2003

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ACKNOWLEDGEMENTS

The research team acknowledges the financial support of the European Commission without which this work would not be possible. However, the opinions expressed in the report are those of the authors and do not necessarily reflect those of the Commission.

Teagasc would also like to acknowledge the co-operation of those individuals, farmers and companies that have supported this research through their willingness to participate in the interviews and surveys. Without their help and expertise this project would not be possible.

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EXECUTIVE SUMMARY

The purpose of this report is to assess marketing channels for conversion grade products as outlined in WP3 of the technical annex. The evaluation from the organic farmer and retailer perspective supplements the previous work package (WP2) that examined factors affecting conventional farmers considering conversion to organic farming.

This research has two main objectives and is addressed by a major survey and in-depth interviews. The survey (Organic Farmer Survey) helped identify the different marketing channels for organic and conversion grade products utilised by agricultural producers and also assessed the costs and benefits associated with each. The interviews (Retailer Interviews) explored the nature of the different markets through which organic and in-conversion products are marketed, including policies and product labelling. Constraints to the marketing of conversion grade products through each system are also explored.

Methodology

- The sample of organic farmers was drawn from a list of members held by the three organic inspection bodies, The Irish Organic Farmers and Growers Association (IOFGA), The Organic Trust Limited and The Bio-dynamic Agriculture Association of Ireland. A comprehensive list was subsequently compiled, with a total of 1,083 organic farmers identified. However, information was not available to differentiate between those who had full organic status and those who were just in-conversion, consequently eight hundred and ten farmers were randomly selected and questionnaires sent out to each. Two hundred and ninety one surveys were returned of which seventy four were fully in-conversion and had to be omitted from the study, leaving two hundred and seventeen valid responses. SPSS was used to analyse the data gathered from the survey. The data was coded and assembled into frequency and descriptive tables. Cross tabulations were carried out to examine how scores on variables were related.
- Nineteen semi-structured interviews were conducted across various sectors in the food industry. A comprehensive list of various players in the organic sector was compiled. Such players are referred to as intermediaries and included retailers, wholesalers, manufacturers/processors, caterers, co-operatives, accreditation bodies and government support agencies. Each of these was contacted via post and asked if they would be interested in participating in the study. To give an appreciation of what the interview would entail, a list of open-ended questions was enclosed. Letters were followed up with a courtesy phone call. Thirty eight letters were sent out. Sixteen intermediaries were unable or refused to partake in the study.

Organic Farmer Survey

- The average size of organic farms was 30.7 ha, with the majority of farmers owning their land. Beef production was the most common activity amongst those surveyed, followed by sheep farming. Given that beef and sheep farming are so important, it was not surprising to find the majority of farmers had a substantial proportion of their land devoted to grassland/grazing and were engaged in the production of hay/silage. The majority of farmers converted to organic farming in the past eight years and appeared

content with the amount of land they had converted. A high proportion of farms were located in a less favoured area.

The majority of farmers were the sole proprietor of their farm business. In addition to farming, in many incidences farmers were engaged in non-farming activities, explaining why many do not spend as much time on the farm as their conventional counterparts. The majority of farmers had no part-time or full-time staff employed.

Farmers were predominantly male and between 41 to 50 years. A high proportion of farmers received no formal education at all (general or organic). Only 16 percent relied solely on the farm for their income, which is not surprising considering the number engaged in non-farming activities.

Meat was the most commonly produced organic product, followed by vegetables and fruit respectively. While in conversion, cereals were the most commonly sold as such, followed by fruit and vegetables, respectively. Fodder and meat were most likely to be sold as conventional produce during this period.

- Premiums received by farmers during the in-conversion period varied from product to product. Meat products and cereals commanded the highest premiums of up to 100 percent. Farmers did not provide details of premiums received for in-conversion fruit and fodder. Likewise premiums received for organic products varied, with a range of between 5 and 120 percent. Cereals commanded the highest premiums of up to 120 percent while some organic vegetables received premiums as low as 5 percent.
- Many farmers failed to disclose how they marketed their in conversion grade produce, hence findings can only be interpreted as indicative as against representative. The box scheme/home delivery service was one of the most commonly used channels for the distribution of conversion grade fruit and vegetables, with 41 and 31 percent respectively being sold via these channels. Own farm shop was used by the same number of vegetable farmers as the box scheme, but a smaller quantity was sold in this manner. Conversion grade meat was most commonly sold (as livestock) on to other farms (42% of producers, representing 33% of sales), while milk and eggs were sold in farmer's own shop. Three quarters of cereal producers sold their in conversion produce on to organic grain merchants, while on-farm processed products were sold mainly via the farmers market.
- Where organic products are concerned, the farmers market was the most commonly used channel for the distribution of fruit, vegetables, eggs and on-farm-processed products. Higher proportions of these products were sold through the farmers' market than any other channel.

The majority of cereal producers (61%) sold their produce to grain merchants. The single most important outlet for milk and meat sales was the food processor/slaughterhouse, with 60 and 49 percent of producers respectively using this channel. Sixty percent of all milk produced and 42 percent of meat was sold to this outlet. Own farm shop/direct sales was also an important outlet for milk, while other

farms (including sale of livestock) was important for meat (28% of producers representing 23% sales).

- Although most farmers did not have any formal business arrangements with their customers the majority would prefer to have a formal contract for all of their produce.

Government promotion of the organic sector was cited by farmers as the most helpful approach in marketing in-conversion and organic produce. Other important aids to marketing these products were EU support for the organic sector and information regarding various outlets.

Highest premium possible was cited as the most important benefit when considering customer outlets for in-conversion and organic produce. Local outlets and an outlet that had a guaranteed secure future were the second and third most important factors cited.

In general farmers had a positive perception of organic produce. Flavour and quality of organic produce were perceived to be better than that of conventional produce. Farmers had a positive outlook on market potential for organic produce. However, the majority of farmers believed that organic produce did not look as good as its conventional counterpart. They also felt that there were not enough organic processors in the country.

Retail Interviews

- The production and preparation of organic food is regulated by Council Regulation (EEC) No. 2092/91. While incorporating the requirements of this regulation the Irish accreditation bodies apply standards that tend to be higher than those set down by the EU. The majority of manufacturers/processors had some form of quality assurance scheme in operation. Retailers relied on wholesalers and manufacturers to check the authenticity of organic products. However quality checks were carried out on fresh produce including fruit and vegetables. Supermarkets required extra quality specifications in certain cases.

One of the main barriers experienced by intermediaries to implementing quality policies was the lack of communication, education and information along the supply chain. Research carried out by the marketing organisations showed that price, availability, range and quality of organic supplies were key barriers to the consumption of organic food. Although barriers to consumption, the above inevitably hinder the development of quality policies for organic and conversion grade produce. A major barrier to conversion cited by many manufacturers is the lack of Irish organic supplies. In the majority of cases manufacturers and processors were forced to import because it was very difficult to seek Irish supplies. Another barrier cited by respondents was the heavy amount of paperwork involved.

Price premiums for organic produce varied according to product category, time of year and stage in the food supply chain. Price premiums ranged between ten and two hundred percent. A horticultural producer stated how it is not acceptable to quote a set price premium for organic produce. It is important to differentiate between various products when setting price premiums. Poultry and pig meat commanded the highest price premiums (up to two hundred percent) according to research carried out by a marketing

organisation. Price premiums for meat fluctuated depending on time of year. According to some retailers price premiums for local grown fresh produce were low compared to premiums for further processed products. No clear views emerged on price premiums for conversion grade products. It was noted however that conversion grade dairy products do not command any extra premium unless sold through direct sales.

- The research found that intermediaries are generally satisfied with the current EU labelling system. However, intermediaries suggested that there is a low level of recognition among consumers of the three logos that currently represent Irish organic produce i.e. Organic Trust, IOFGA and Demeter. Many respondents stated the need for more information to be made available to create awareness of the current symbols among consumers. The majority of intermediaries would welcome a generic national label for the marketing of organic foods at home and abroad. This supports the recommendations of the Organic Development Committee to devise a national label for Irish organic produce.

The vast majority of respondents did not believe that a market existed for conversion grade produce, labelled accordingly. Such a marketing approach was viewed to be confusing from a consumer viewpoint. However, it was generally agreed that such products could be marketed as environmentally friendly or chemical free products.

Various attitudes were expressed towards the idea of conversion grade products. Respondents appeared quite familiar with the idea of conversion although most were sceptical on the prospect of marketing such products as 'conversion-grade.' There was the common view that there is enough confusion among consumers with the different product types such as free-range, natural foods and organic and that in-conversion would further add to such confusion. A small percentage of intermediaries felt that a market could be developed for conversion grade products. In most cases the market was for fresh produce in-conversion. The most suitable markets for such produce were home sales and farmers markets through direct sales. A small number of intermediaries believed that conversion grade products have a role to play in farm supply and livestock feeds.

- A large number of intermediaries perceived growth in the organic market. It was noted that the market for organic foods would expand with growth in consumer awareness. The future market for horticultural produce is perceived to be very strong while the market for organic lamb is expected to develop at a slow pace. A number of respondents perceived a link between organic growth and increased supermarket demand. Some intermediaries believed that the future market for organic foods would be determined by economic factors such as income and price. A small number of respondents did not perceive future growth in the organic sector. The knowledge and information deficit, the continued supply of imported raw material and the lack of positive publicity were some of the concerns expressed by respondents about the future of the organic sector.

There is a general consensus that there is a lack of marketing support for conversion grade and organic foods in Ireland. A high percentage of respondents felt that marketing support from the Department of Agriculture and Food is essential for the development of the organic sector. Some respondents suggested that supermarkets have a role to play in support of the marketing of conversion grade and organic foods.

The majority of respondents felt that a significant gap continues to exist between organic and conventional food products through quality standards. Organic standards have improved in recent years according to many intermediaries. However, it was suggested by many that the organic sector has a lot to offer and has yet to reach similar standards in terms of quality as that of conventional products.

Conclusion

The findings from the OFS and retail interviews suggest that the organic market has considerable potential. However, the findings also suggest there is very limited potential for conversion grade products. This suggests that for sector growth to occur, existing incentives to encourage farmers to convert need to be maintained and new ways of encouraging entry identified.

1 INTRODUCTION

1.1 National Context of the Organic Sector

The number of registered organic producers in Ireland grew rapidly during the 1990's albeit from a very low base. In 1993 there were 238 organic producers farming 5,800 ha and by 2002 there were 923 producers farming 29,850 hectares. Total land under organic production in 2002 accounted for 0.7% of utilised agricultural area, which is only one third of the EU average. Approximately 78% or 23,432 hectares were fully organic with 6,418 hectares in conversion. There have been strong growth levels in the Irish organic food market in recent years. The market value is estimated to reach €38 million in 2003. (Bord Bia.) However, despite this growth, the organic sector is estimated to account for less than one per cent of the total Irish food market compared to the EU average of over 2 per cent. The number of consumers purchasing organic food has declined since 2000 but the amount being spent has increased strongly. Fruit and vegetables remain the product categories most likely to be bought by consumers followed by meat, poultry and dairy products.

1.2 Aims and Objectives of Organic Farmer Survey and Retailer Interviews

This report is based on WP3 entitled "Assessment of Marketing Channels for Conversion Grade Products." The evaluation from the organic farmer and retailer perspective supplements the previous work package (WP2) that examined factors affecting conventional farmers considering conversion to organic farming. The research has two major objectives addressed by a major survey (Organic Farmer Survey) and a series of in-depth interviews (Retailer Interviews.)

1.2.1 Organic Farmer Survey (OFS)

The objectives are to identify the different marketing channels for organic and ¹conversion grade products utilised by agricultural producers and to assess the costs and benefits associated with each.

1.2.2 Retailer Interviews (RI)

The objectives are to explore the nature of different markets through which organic and conversion grade products are marketed, including product labelling and policies. Constraints to the marketing of conversion grade products through each system are also explored.

¹ Conversion grade also referred to as in-conversion

2 METHODOLOGY

This section outlines the methods used to collect information for this report. A postal survey was carried out for sub-workpackage 3.1 (OFS) and in-depth interviews were carried out for sub-workpackage 3.2 (Retail Interviews).

2.1 Methodology for Organic Farmer Survey

Data for sub-workpackage 3.1 were collected through a survey of organic farmers, using a postal questionnaire.

2.2 Description of Data Collection Process

2.2.1 Survey Structure

A postal survey was undertaken as a means to obtaining information from organic farmers. The questionnaire used within this study was devised by the University of Reading, with inputs from each of the four European partners, namely; Ireland, Italy, Portugal and Denmark. (Appendix I) To participate in the study, farmers had to have full organic status for all or part of their land.

The questionnaire consisted predominantly of closed-ended questions. Three classes of closed questions, namely; multichotomous, dichotomous and scales were employed with the survey. Eight main sections were covered, these included; characteristics of the farm, farm labour details, farm sales and income, characteristics of the farmer, outlets for organic products (excluding in-conversion), marketing of organic and in-conversion products, outlets for in-conversion products and attitudes to organic food and farming. Questions included related to volume, value and types of production marketed through different channels.

2.2.2 Sample Selection and Survey Administration

The three organic inspection bodies, The Irish Organic Farmers and Growers Association (IOFGA), The Organic Trust Limited and The Bio-dynamic Agriculture Association of Ireland (Demeter), were contacted and a list of members from each organisation was obtained. A comprehensive list was subsequently compiled, with a total of 1,014 organic farmers identified. However, information was not available to differentiate between those who had full organic status and those who were just in-conversion. Consequently 810 farmers were randomly selected and questionnaires sent out to each.

2.2.3 Response Rate

Of the 810 questionnaire sent out, 291 were returned. However, 74 of the 291 were in-conversion and had no land with full organic status, and hence were omitted from the analysis. Two hundred and seventeen surveys could be used (a valid response rate of 27 percent). The results of the survey were statistically analysed using SPSS.

2.2.4 Testing for Non-response Bias

Tests were conducted to determine the presence of any bias introduced to the data arising from late responders. Test results indicated that there were no significant differences in key farm and farmer characteristics between early and late responders.

2.3 Methodology for Retail Interviews

Data for sub-workpackage 3.2 were collected through a survey of intermediaries, using an interview schedule. The term 'intermediaries' used throughout this report defines all respondents surveyed in Ireland. Intermediaries include representatives of food retailers, processors/manufacturers, distributors, accreditation bodies and marketing organisations.

2.4 Description of Data Collection Process

2.4.1 Sampling Process

A comprehensive list of various players in the organic sector was compiled. Such players were referred to as intermediaries and included retailers, wholesalers, manufacturers/processors, caterers, co-operatives and government support agencies. These intermediaries were viewed to be instrumental in the development of policy likely to influence the development of the conversion market or markets into which conversion grade products were likely to be sold. The sampling frame included intermediaries identified from lists developed by The National Food Centre. Information from Bord Bia and food industry publications was also considered in preparing the sampling frame.

2.4.2 Sample

A total of nineteen intermediaries were interviewed (Appendix II). These comprised two accreditation bodies, two national marketing organisations, one producer, eight manufacturers/processors, one co-operative, one wholesaler, three retailers and one restaurant.

2.4.3 Survey Timing

The fieldwork was conducted between December 2002 and May 2003 and was undertaken by NFC researchers. The owner or most relevant senior manager in each firm or organisation was identified and contacted via post asking if they would be interested in participating in the study. To give an appreciation of what the interview would entail, a list of open-ended questions was enclosed. Letters were followed up with a courtesy phone call. In all thirty-eight letters were sent out. Sixteen intermediaries were unable or refused to partake in the study. Where permissible interviews were recorded which allowed for free-flowing discussion. Interviews lasted up to ninety minutes depending on the willingness of the interviewee to provide their time.

2.4.4 Analysis

The questionnaire was designed according to a semi-structured interview format. (Appendix III) The interview process was designed as a conversation allowing respondents to describe in their own words issues what they considered relevant or important to their business. Each recorded interview was then transcribed and analysed with the help of the NUD*IST software package. Common concepts and themes identified from open questions in the

interviews provided the focus of qualitative assessment. With regard to qualitative analysis quotations are drawn into the report to illustrate conclusions.

2.4.5 Interviews Framework

Interviews were conducted with purchasing policy decision-makers and were selected according to the framework presented in Table 1.

Type of Organic Sector Operator			No. Interviews
Intermediaries	Farmers	Producer	1
	Merchants	Processors/Manufacturers	8
		Wholesalers	1
	Retailers/ Caterers	Supermarket chain	1
		Specialised shop	2
		Restaurants	1
	Service Providers	Consumers' co-operatives	1
		Organic accreditation bodies	2
		National marketing bodies	2
	Total		19

2.4.6 Topics Discussed

The topics discussed to ascertain views of Irish intermediaries included policies on pricing, quality, premia, product labelling, markets and potential markets for products (organic and conversion grade) and support for marketing these products.

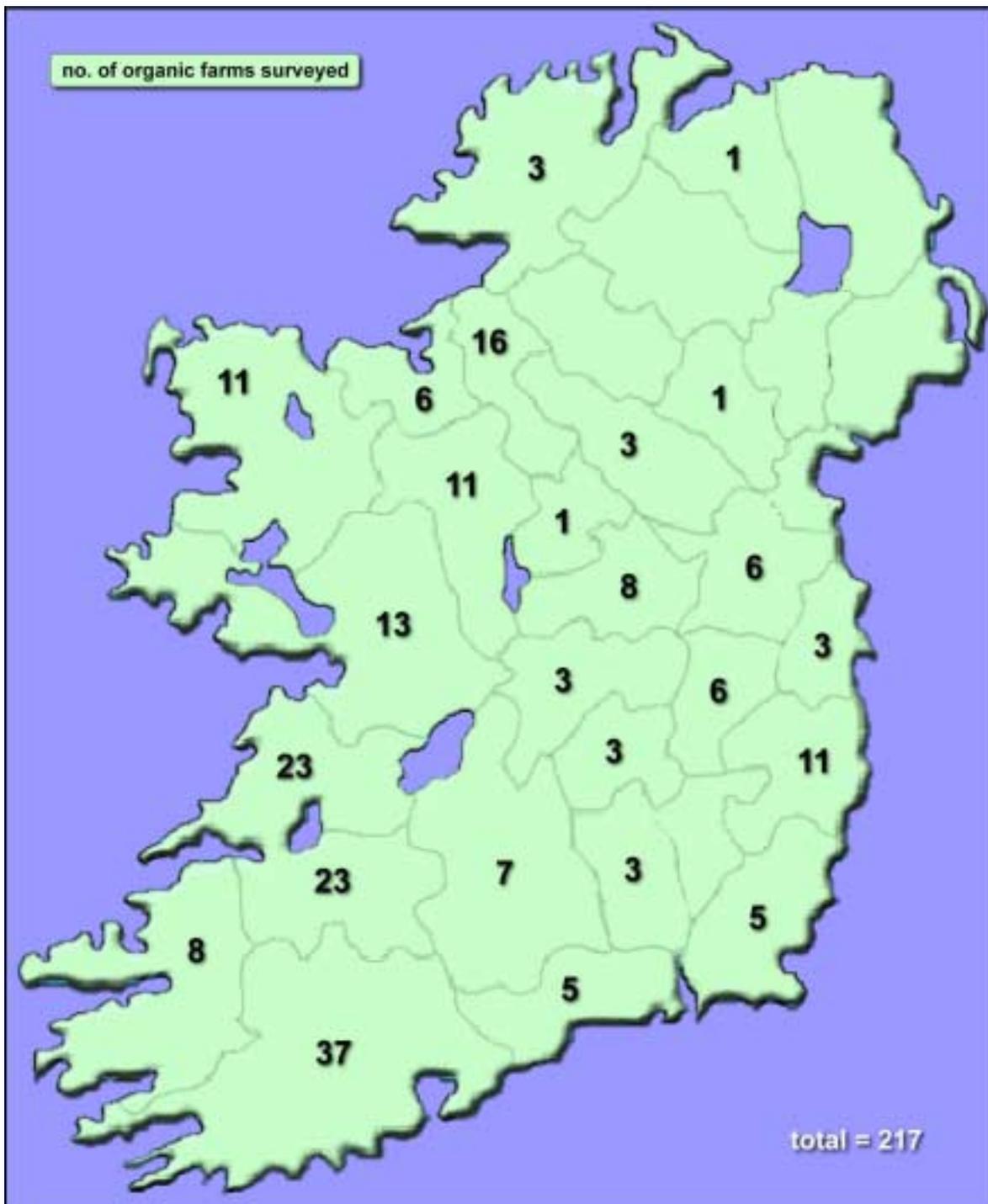
3 ORGANIC FARMER SURVEY

This section identifies the different marketing channels for organic and conversion grade products utilised by agricultural producers and to assess the costs and benefits associated with each.

3.1 Farm and Farm Characteristics

3.1.1 Distribution of Respondents

Figure 1: Distribution of organic farmers surveyed



3.1.2 Farm Size and Land Tenure

The Central Statistics Office in Ireland has defined a farm in the agricultural census as "a single unit, both technically and economically, which has a single management and which produces agricultural products" (CSO, 2000; p7). This definition embraces all farms, conventional and organic.

The Census of Agriculture 2000 found the average farm size was 31.4 hectares. This reflects the average size of organic farms in this study, which were found to be 30.7 ha. This finding is in line with the DAFRD, who in 2002 estimated the average size of organic farms to be 32ha. The total area farmed by the smallest farm in the study was .35 hectares, while the largest stood at 196.5 hectares. Farms were divided into five categories according to size (Figure 2). Again these figures mirror those of the Census in 2000. The mean total area that was certified as organic was 30.94 hectares, this is slightly greater than the actual area farmed as in some incidences it was certified as organic but was not fully utilised. Land in-conversion, as expected, was significantly smaller standing at an average of 1.85 hectares.

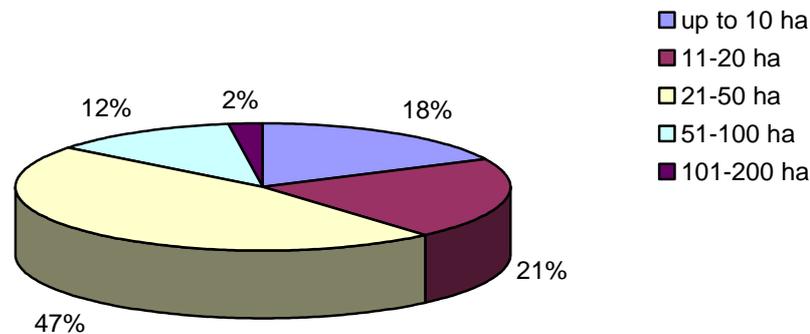


Figure 2: Percentage of farms by size

With regard to land tenure, the majority of farmers (80%) own between 90 and 100 percent of their farms. Ten percent own between 50 and 89 percent, while 6 percent own between 1 and 49 percent. The remaining 4 percent did not own any of their land. Those who owned part or none of their land rented the remainder of it or all of it, or had some alternative arrangement enabling them to farm the land.

Livestock

Sixty five percent (141) of farmers surveyed had organic beef, comprising the most dynamic sector in organic farming. Forty one percent of these farmers specialised in beef. This finding is not surprising giving that specialist beef production farmers made up over 50% of farm types in the Agriculture Census 2000. Livestock numbers on the organic beef farms ranged between 1 and 262. The second most common livestock farm type was the production of organic sheep/goats. This sector constituted a little over 40 percent (89) of those surveyed, with livestock numbers ranging from 1 to 600. Five percent (12) of farmers had organic dairy cattle, with livestock numbers ranging from 1 to 43. Fifteen percent of farmers had organic hens, with numbers ranging from 3 to 1,200. Six percent (13) of

farmers had organic table poultry, with 10 having less than 60. One farmer had 500 birds and the remaining two farmers had 2500 and 5000 birds respectively. Organic pig breeding farms and finishing pigs were amongst the least popular with only 8 and 9 farmers respectively having some. Pig breeding farms had between 1 to 28 pigs, while finishing pig farms had between 2 and 120 pigs. Three percent of those surveyed had other organic livestock, namely deer, geese and turkey.

As expected, the number of farmers who had in-conversion organic livestock were considerably fewer in number compared with those who had livestock with full organic status. There was only one in-conversion dairy farmer who had 10 cattle, there were 6 in-conversion beef cattle farmers who had between 3 and 10 cattle and 2 in-conversion sheep/goat farmers, one of whom had 24 sheep/goats and the other had 106. No farmer surveyed had in-conversion sows, finishing pigs, laying hens, table poultry or any other in-conversion animal.

Regarding conventional farming, only one farmer had conventional dairy cows and another had finishing pigs. The former had 22, while the latter had 5. Ten farmers (4.6 percent) had conventional beef cattle ranging in number from 1 to 20. Five farmers (2.3%) had conventional sheep/goats, while the same number had laying hens. The former had between 15 and 60 sheep/goats and the latter had between 3 and 70. Six farmers (2.8%) had other conventionally reared animals ranging from 1 to 100 in number. These included deer and geese.

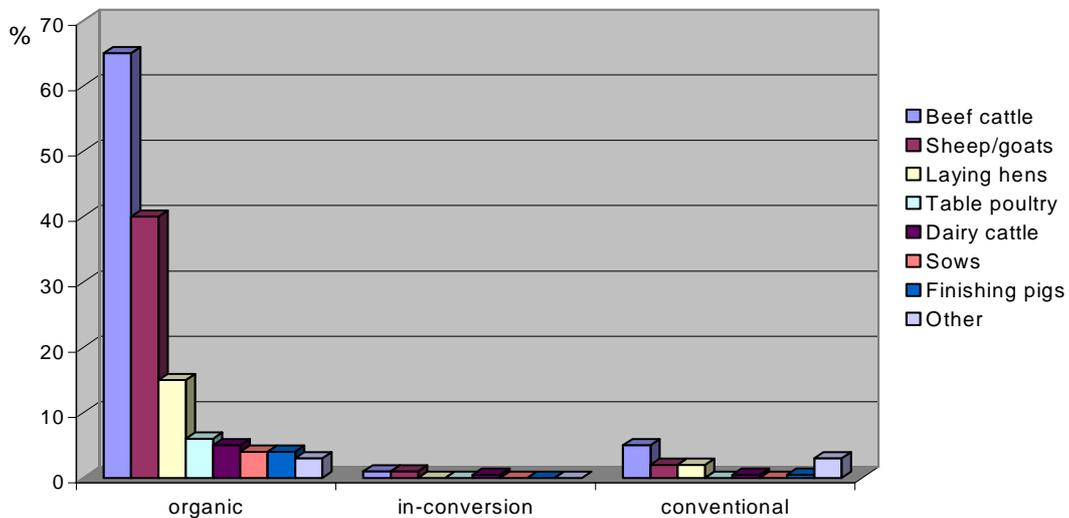


Figure 3: Percentage of farmers involved in organic, in-conversion and conventional livestock by category.

Cropping

Sixty six percent (143) had between 9 and 40 hectares of organic hay/silage, while 65 percent (142) had organic grassland/grazing, ranging in size from 24 to 192 hectares. These findings are not surprising giving the large number of beef farmers. Thirteen percent engaged in organic horticulture, farming between 1 and 14 hectares. Ten percent (22) of those surveyed were engaged in farming organic cereals. The majority of these farmers (15) had less than 10 hectares, while the remainder had between 14 and 44 hectares. Four percent (8) were engaged in farming other organic crops and had between 1 and 30 hectares of same. Three percent were involved in farming organic permanent crops. The amount of land dedicated to permanent crops ranged from 1 to 47 hectares. The total area cropped by other produce was between 2 and 7 hectares, carried out by just over 2 percent of those surveyed.

Three percent of farmers had between 3 and 14 hectares of their grassland/grazing fields in-conversion. Two percent had between 1 and 8 hectares of hay/silage in-conversion, while only two farmers had between 1 and 2 hectares of horticulture in-conversion.

Just over 1 percent of farmers (3) had conventionally farmed land. Two farmers had cereals, one of whom had 20ha and the other 44ha. The third farmer had 29ha of conventional grassland/grazing.

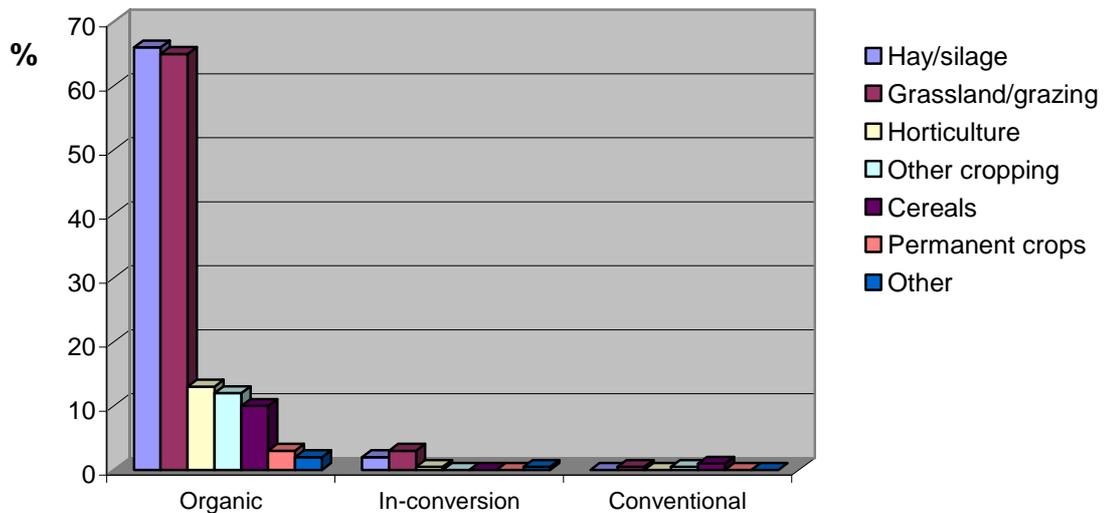


Figure 4: Percentage of farmers involved in organic, in-conversion and conventional cropping

3.1.3 Other Farm Characteristics

Legal Status

The majority of farmers (69%) were the sole proprietor of their farm business. Twenty seven percent of farms were family owned, while two percent were owned by a company and a further two percent owned by other partnerships.

Employment

While organic farming is more labour intensive than conventional farming, organic farmers spend less time working the farm than their conventional counterparts. This can be explained by the fact that a high proportion of organic farmers are engaged in non-farm activities, suggesting many are involved on the farm on a part-time basis. Just under a third of those surveyed spent between 75 to 100 percent of their working time on the farm, this compared with 64 percent of conventional farmers (DAFRD, 2000) (Figure 5).

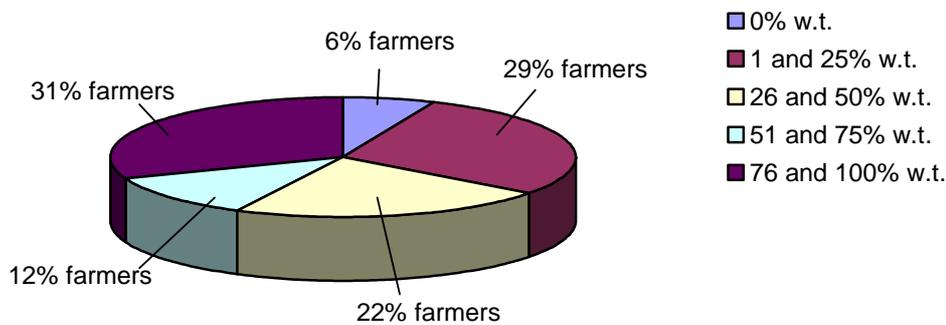


Figure 5: Amount of working time (%) spent by farmers (%) working on farm [n=217]

Twenty eight percent of farmers engaged in 'other farm-related tasks' (i.e. running a farm shop etc). The amount of time spent on such tasks varied from 1 to 90 percent of working time, as is illustrated below in Figure 6.

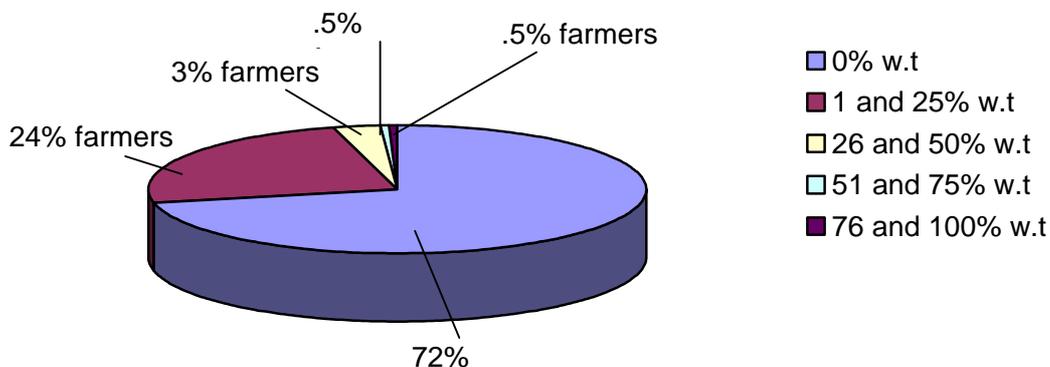


Figure 6: Amount of time (%) spent by farmers (%) working on other farming related tasks n=217

With regard to non-farming activities, 43 percent of farmers spent some or all of their time on same (Figure 7).

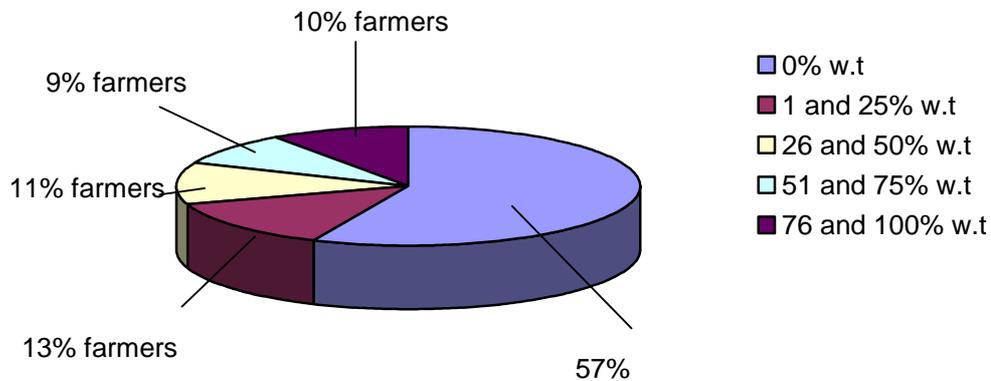


Figure 7: Amount of time (%) spent by farmers (%) working on non-farming related tasks
n=217

Eighty one percent of farmers had partners, almost half of whom were involved in the running of the farm, while 12 percent were involved in other farming related tasks. Twenty seven percent were engaged in non-farming activities (Figure 8).

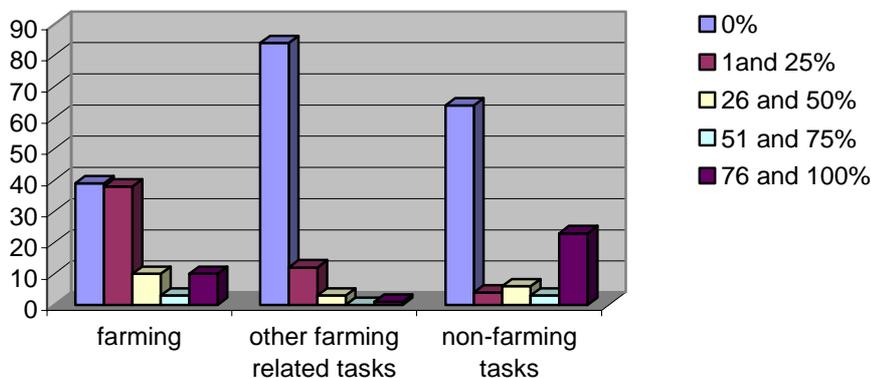


Figure 8: Percentage of working time partner spent farming, other farming related tasks and non-farming tasks
[n=174]

Seventy one percent (154) of farmers did not employ any full-time or part-time staff. Twelve percent of farmers (27) had employed, between 1-15 full-time staff all year round, while 21 percent (46) had employed part-time staff. In both cases there were between 1 and

15 employed. The table below illustrates the number of farmers who had full time staff in addition to part time staff.

Table 2: Number of full time and part-time workers employed by farmers

		Total no. of full time workers						Total
		0	1	2	3	5	15	
Total no. of part-time workers	0	154	12	3		1	1	171
	1	29	3	1	1			34
	2	6	2	1	1			10
	5	1						1
	15			1				1
		190	17	6	2	1	1	217

Less Favoured Area

Sixty six percent of farms were in a less favoured area, while five percent were in a partially less favoured area. Seventy nine percent were located within a 10 mile radius of a town or city, with all remaining farms in excess of this.

First Started Conversion

On average farms had started to convert to organic eight years ago, with the most recent conversion having taken place only three years ago and the longest being 38 years ago. However, 86 percent of all those surveyed had only converted in the last ten years. A more detailed breakdown is given below (Figure 9).

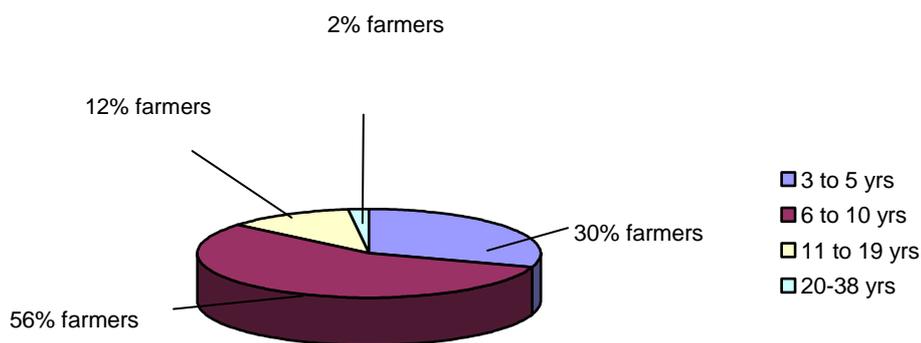


Figure 9: No. of years land was converted to organic by percentage of farmers

Certification Body

In Ireland organic agriculture is governed by the Department of Agriculture and Food based on EU regulations (EEC 2092/91). To date three associations have been approved by the Department of Agriculture and Food to carry out inspections, these are; The Irish Organic Farmers' and Growers' Association of Ireland (IOFGA), the Organic Trust Limited and the Bio-dynamic Agriculture Association of Ireland (Demeter). The three organisations carry out inspections under EU regulations and have standards higher than those set down by the EU.

Within this study, the majority (68%) were members of the IOFGA, this was followed by the Organic Trust (28%) and then the Bio-dynamic Agriculture Association (4%).

Intention to Convert more Land

When asked if they intended to put more land into conversion, over three quarters of the farmers (166) claimed they had no intention of doing so, with 88 percent of these (146) not having the land to do so. The lack of land was not a deterrent to all farmers, as 6 percent (13) stated they would like to convert more land, although they did not possess any in excess. Seventeen percent stated that they might possibly convert more land.

Identification of a Successor

Only sixteen percent had identified a successor for the farm, with a further 11 percent having someone in mind. All remaining farmers did not know who their successor would be.

3.1.4 Farmer Characteristics

Gender and Age

The traditional gender imbalance associated with farming is also present in the organic sector, with only 16 percent of those surveyed, females. Over a third of farmers were between 41 and 50 years of age, this constituted the largest age group. The second largest age group was the 51 to 60 year old category, with 29 percent falling within this range. Only

3 percent of the sample were under 30 years, with just over a fifth between 31 and 40 years. Eleven percent were over 60 years of age.

Education

Thirty six percent of the sample did not receive any general agricultural education at all, while 35 percent received informal training. One fifth received agricultural education of a technical nature or the equivalent, while only 8 percent received higher education. Regarding organic education, 49 percent stated that they did not receive any training at all, while 43 percent claimed they were informally educated. Only seven percent had technical training or the equivalent and only one percent had higher education.

Household Income

Two percent (5) of farmers claimed that none of their household income came from the farm. Three of these farmers stated that they broke even, while one claimed he was making a loss. The fifth farmer was rebuilding and hence reduced trading significantly for the time being. Sixteen percent claimed that all their income came from the farm, while a further 6 percent claimed that at least 76 percent of their income came from same. For all others surveyed, farming generated between 1 and 75 percent of household income. A detailed breakdown is provided in Figure 10 below.

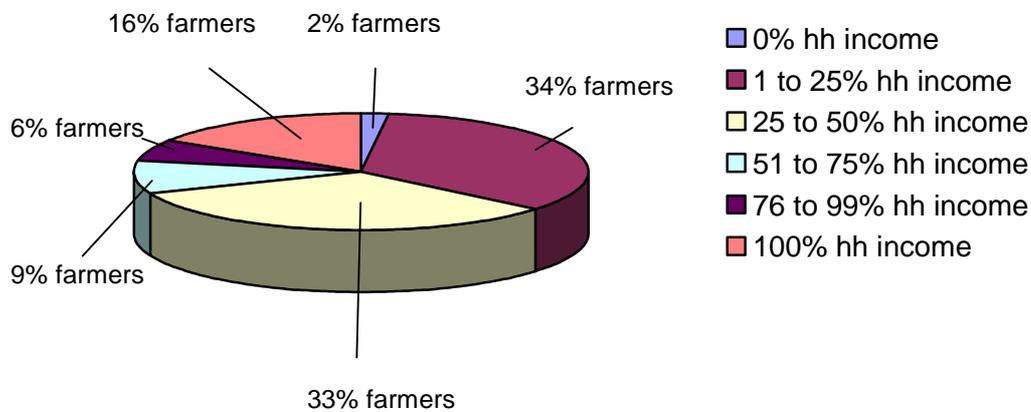


Figure 10: Percentage of Household income farmers obtain from their farm

3.1.5 Agricultural Sales

Total sales of agricultural products varied between €0 and €250,000, with a mean of €16,561 and a median of €6,000. Two percent did not make any money on their produce. Table 3 below provides a breakdown of total sales.

Table 3: Total Sales of Agricultural Products

€	% Farmers (excl. missing values)
0	2
1-2,500	19
2,501-5,000	21
5,001-10,000	22
10,001-20,000	20
20,001-50,000	8
50,001-100,000	5
100,001-250,000	3

27 farmers failed to comment

[n=190]

Farmers were asked to indicate the percentage of their agricultural products that were organic, in-conversion and conventional. The majority of farmers (83%) stated that all their products were organic. The percentage of organic products for the remaining 17 percent ranged between 5 and 95 percent (Figure 11).

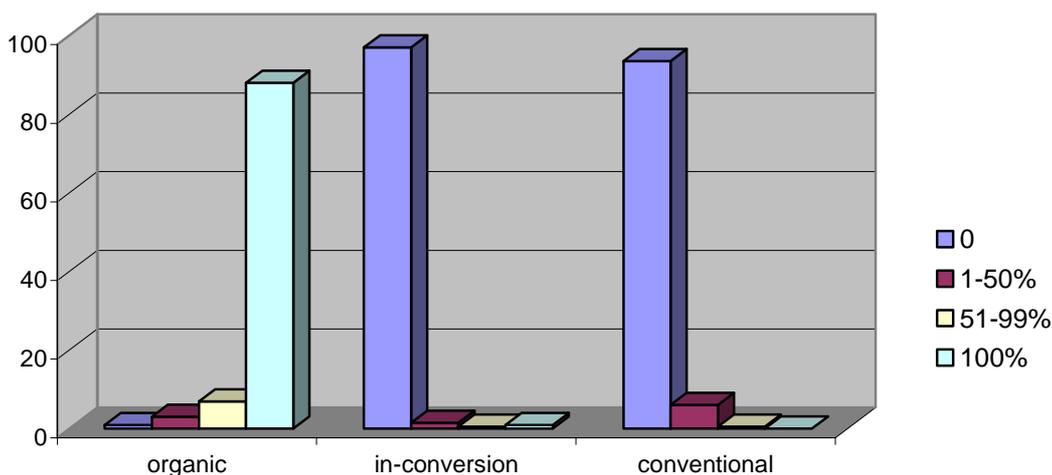


Figure 11 : Percentage of agricultural products that are organic, in-conversion and conventional [n=204]

Considering the majority of farmers sold 100 percent of their products as organic, the value of organic sales is very similar to the sales of agricultural products in general (see Table 3 and organic column below). Table 4 below highlights the value of products sold as organic, in-conversion and conventional, respectively.

Table 4: Value of organic, in-conversion and conventional [n=185]			
€	% Farmers		
	Organic	In-conversion	Conventional
0	2	97	93
1-2,500	19	1	3
2,501-5,000	21	.5	1
5,001-10,000	23	.5	1
10,001-20,000	18	.5	2
20,001-50,000	9	0	0
50,001-100,000	5	0	0
100,001-250,000	3	0	0
	100	100	100

32 missing values

3.1.6 Patterns between Farm and Farmer Characteristics

Gender, age, age at which full-education ceased, level of education obtained and percentage of total household income from the farm were cross-tabulated with a number of farm characteristics, including farm size, farmer's intention to put more land into conversion in next five years, legal status of the land, the percentage of working time spent on farm and the number of years since conversion commenced. Chi square tests were conducted to identify those relationships that were statistically significant.

Gender was significantly related to the total working time spent by the farmer on the farm ($p=0.05$). A higher percentage of males (34%) than females (14%) spent between 75 to 100 percent of their working time on the farm. However, all other relationships between farmers characteristics and the farm proved insignificant.

3.2 Marketing of Products During the Conversion Period

3.2.1 Percentage of Organic Produce used on farm

Table 5 below (page 26) provides a breakdown of those farmers in the last year of in-conversion that marketed their products as in-conversion. In many incidences, farmers marketed some of their produce as conventional and more of it as in-conversion. Others did not sell their produce but used it for own production or on the farm.

Fruit

Fourteen farmers were involved in fruit production. Three claimed that they used all of their produce either on the farm or for processing in the last year they were in-conversion. Two farmers sold it as conventional and four sold it as in-conversion. The remaining farmers failed to comment. The percentage premium received was not cited by any of the farmers.

Vegetables

There were 39 farmers involved in the production of vegetables. Six farmers, in the last year they were in-conversion, used the vegetables they produced either on the farm or in processing their own products. Five of the six used their entire yield, while the remaining farmer only used 40% in this manner. Thirteen farmers sold their produce as conventional, with 11 of the 13 selling their entire output as such, while the other two sold 10 and 25 percent respectively. Twelve farmers sold their produce as in-conversion, with quantities varying from 60 to 100 percent. The remaining farmers did not comment on the sale of their products during this period. Premiums received during the in-conversion period varied from 0 to 40 percent, with a mean of 13 percent.

Meat

Of the 217 farmers surveyed, 84 percent (182) were involved in the production of meat (beef, lamb, mutton, pork, bacon and poultry). Meat was the most common agricultural product sold/used by farmers in the last year of their in-conversion phase. Ten farmers used between 10 and 70 percent of their meat during this period in processing their own products. A further 10 farmers used their entire stock for this purpose. One hundred and thirty six farmers sold their meat as conventional, with 119 selling their entire produce as such and the remaining farmers selling between 10 and 90 percent. Thirty four farmers sold their output as in-conversion, with 21 of them selling their entire stock as such. The remaining 13 farmers sold between 5 and 90 percent of their produce as in-conversion. Many farmers did not comment on how they sold/used their meat during this period. Premiums received ranged from 0 to 100 percent, with a mean of 27 percent.

Milk

There were 5 farmers involved in milk production. Only one farmer used milk produced in the last year of in-conversion for his own production. Three farmers sold their entire stock as conventional and one farmer sold it as in-conversion. A 10 percent premium was received for milk during this period.

Eggs

There were 17 egg producers, 8 of whom sold their entire stock as conventional during the last year of the in-conversion period. Two farmers sold them as in-conversion and one farmer used them for their own production. Remaining farmers failed to comment. Premiums received ranged between 5 and 10 percent, with a mean of 7.5%.

Cereals

Fifteen of those surveyed were involved in cereal production, 13 of whom commented on the amount sold or used on the farm during the last year of in-conversion. Three farmers used the output for their own production or on their farm, two sold it as conventional and the remaining 8 sold it as in-conversion. In each case the entire stock was used or sold. Cereals sold during this period commanded premiums between 15 and 100 percent, with a mean of 76 percent.

Fodder

Twelve farmers were involved in the production of fodder. Two farmers used their entire output on their own farm during their last year of in-conversion, another used 80 percent in this manner and sold the remainder as in-conversion. Six sold it as conventional fodder.

Three farmers failed to comment. Premiums received were not disclosed by those concerned.

On-farm Processed Products

Five farmers were involved in the production of on-farm processed products. One of the five used the products for his own use, while one sold them as conventional and another as in-conversion. The other two failed to comment. A 10 percent premium was obtained by one of the farmers for his processed products, others declined to answer.

Table 5: Breakdown of producers who marketed in-conversion products as such during the last year of the in-conversion phase.

	Fruit	Veg	Meat	Milk	Eggs	Cereals	Fodder	On-farm processed products
Total no. of producers	14	39	182	5	17	15	12	5
No. who sold some or all produce as in-conversion	4	12	34	1	2	8	1	1
No. who failed to disclose what they did with in-conversion produce	5	11	13	0	6	2	3	2

All other producers sold some or all of their produce as conventional and/or transferred it to own production or farm

3.2.2 Marketing Channels

Each of the marketing channels, with the exception of a foreign market, was used to various degrees to distribute in-conversion output in the last year of in-conversion.

In many incidences farmers failed to disclose the channels used, however, table 6 below highlights the numbers and percentages of channels used by those who disclosed information. It is important to note that many farmers used more than one channel, hence, columns do not add up to 100 percent.

The box scheme/home delivery service featured as one of the most commonly used channels of distribution for fruit and vegetables. Own farm shop was as important to vegetable farmers as the box scheme/home delivery service. The most commonly cited channel for the distribution of meat (livestock) was other farms. However, once fattened, livestock would be sold on to a slaughter house and possibly pass through more channels before reaching the consumer. Own farm shop and organic grain merchant were the most commonly used channels for eggs and cereals, respectively. Only one farmer disclosed information on milk sales, fodder and on-farm processed products, respectively, with own farm shop being the sole channel used for the distribution of milk, while other farms was the sole channel for fodder. The farmer who disclosed the distribution channels used for on-farm processed product producers stated he sold it through his own farm shop, the farmer's market and a high street shop.

Table 6: Number & Percentage of farmers who sold produce in the last year of in-conversion through each channel

	Fruit		Veg		Meat		Milk		Eggs		Cereals		Fodder		On-farm processed products	
*No. who sold some or all produce as in-conversion	4		12		34		1		2		8		1		1	
	No	%	No.	%	No.	%	No	%	No	%	No	%	No	%	No	%
Other farm	0	0	0	0	15	42	0	0	0	0	1	12	1	100	0	0
Pick your own	1	25	0	0	1	3	0	0	0	0	0	0	0	0	0	0
Own farm shop	1	25	5	42	2	5	1	100	2	100	0	0	0	0	1	100
Box scheme	2	50	5	42	1	3	0	0	0	0	0	0	0	0	0	0
Farmers' market	1	25	3	25	6	17	0	0	0	0	0	0	0	0	1	100
Food processor/slaughter house	0	0	1	8	5	14	0	0	0	0	0	0	0	0	0	0
Wholesale market	0	0	1	8	1	3	0	0	0	0	0	0	0	0	0	0
Co-op	0	0	1	8	2	5	0	0	0	0	0	0	0	0	0	0
Wholesaler	0	0	0	0	2	5	0	0	0	0	0	0	0	0	0	0
Organic grain merchant	0	0	1	8	0	0	0	0	0	0	6	75	0	0	0	0
Super/hypermarket	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
High st. shop	1	25	2	17	0	0	0	0	0	0	0	0	0	0	1	100
Organic high st. shop	0	0	1	8	1	3	0	0	0	0	0	0	0	0	0	0
Hotel/caterer	0	0	2	17	1	3	0	0	0	0	0	0	0	0	0	0
Foreign market	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	1	8	10	28	0	0	0	0	1	12	0	0	0	0

While the table above (Table 6) provides information on the number and percentage of farmers using each channel, the following table (Table 7) highlights the average percentage of produce sold as 'in-conversion' through each channel in the last year of the in-conversion period. The box scheme was the single most important channel for fruit and vegetables, with 41 and 31 percent of all produce respectively being distributed in this manner. Other farms was the single most important channel for meat, with 33 percent of produce sold through this channel. Own farm shop was the only channel used for the distribution of milk and eggs. All fodder was sold to other farms, while the majority of on-farm processed products was sold through the farmer's market.

Table 7: Average percentage of produce sold through each marketing channel for each product in the last year of in-conversion								
	Fruit	Veg	Meat	Milk	Eggs	Cereals	Fodder	On-farm processed products
No. who disclosed info. on in-conversion sales	4/14	12/39	34/182	1/5	2/17	8/15	1/12	1/5
Other farm	0	0	33	0	0	12	100	0
Pick your own	20	0	1	0	0	0	0	0
Own farm shop	5	23	6	100	100	0	0	30
Box scheme	41	31	3	0	0	0	0	0
Farmers' market	25	16	12	0	0	0	0	60
Food processor/slaughter house	0	4	13	0	0	0	0	0
Wholesale market	0	2	1	0	0	0	0	0
Co-op	0	7	5	0	0	0	0	0
Wholesaler	0	0	5	0	0	0	0	0
Organic grain merchant	0	2	0	0	0	75	0	0
Super/hypermarket	0	0	0	0	0	0	0	0
High st. shop	9	5	0	0	0	0	0	10
Organic high st. shop	0	1	1	0	0	0	0	0
Hotel/caterer	0	1	1	0	0	0	0	0
Foreign market	0	0	0	0	0	0	0	0
Other	0	8	19	0	0	13	0	0
	100	100	100	100	100	100	100	100

3.3 Marketing of Organic Products

3.3.1 Percentage sold as organic/conventional

Fruit

Of the 14 fruit farmers, 13 sold their entire produce as organic, while the remaining farmer sold his produce as conventional but did not explain why. Fruit sold as organic commanded a premium of between 10 and 40 percent, with a mean of 20 percent.

Vegetables

There were 39 vegetable farmers. Thirty three farmers sold their entire produce as organic, 2 sold between 95 and 97 percent as such, with the remaining 4 selling it as conventional. Those who sold their produce as conventional did not disclose the reason for doing so. Premiums obtained for organic vegetables were between 5 and 50 percent, with a mean of 26 percent.

Meat

Of the one hundred and eighty two involved in meat production, 158 sold some or all of their stock as organic. Over three quarters (77%) of these farmers (122) sold their entire stock as organic. Thirteen percent (21) sold between 60 and 95 percent of their meat as organic, while 9 percent sold between 5 and 50 percent as organic. Premiums obtained for organic meat were between 5 and 100 percent, with a mean of 33 percent. Fifty four farmers sold some or all of their stock as conventional, with 21 selling their entire stock as such. The absence of a market was the most commonly cited reason for doing so, revealed by 17 farmers. Distance from a market and the resulting costs of haulage was cited as the second reason for not selling stock as organic. This was cited by 13 farmers. Seven farmers claimed that conventional prices were as good as, if not better than organic prices, hence it was not worth their while selling stock as organic. The fourth most common reason cited was poor timing. In some areas there are only two organic markets a year, if the animals are not of age, they could not be sold.

Milk

There were only 5 farmers involved in milk production, 2 of whom sold their entire stock as organic, while two sold approximately half as organic, and half as conventional and the remaining farmer used it for on-farm processed products. Premiums ranged from 20 to 25 percent, with a mean of 23 percent. The main reason put forward for selling milk as conventional was the seasonality of the product.

Eggs

Of the 17 farmers who sold eggs, 16 sold them as organic. The remaining farmer sold them as conventional but did not explain why. Premiums varied between 10 and 80 percent, with a mean of 34 percent.

Cereals

Twelve of the fifteen farmers involved in cereal production sold their entire stock as organic, one farmer sold quarter of it as such and the remaining two farmers sold it as conventional. Cereals commanded premiums in the range of 60 to 120 percent, with a mean of 94 percent.

Fodder

Twelve farmers were involved in the production of fodder. Eight of these farmers sold their entire stock as organic, while one farmer sold 15 percent and another 30 percent as organic. The former used the remaining 85 percent on the farm, while the latter sold the remaining 70 percent as conventional. One farmer sold all his fodder as conventional, while the twelfth farmer sold 15 percent in this manner, with the rest being used on the farm. No reasons were put forward as to why fodder was sold conventionally. Organic fodder obtained premiums of between 10 and 20 percent, with a mean of 15 percent.

On-farm Processed Products

Four of the five involved in the production of processed products sold all their products as organic, while the fifth farmer sold 40 percent as organic and the remaining 60 percent as conventional. Premiums of between 20 and 30 percent were obtained for these products, with a mean of 25 percent.

3.3.2 Marketing Channels Used

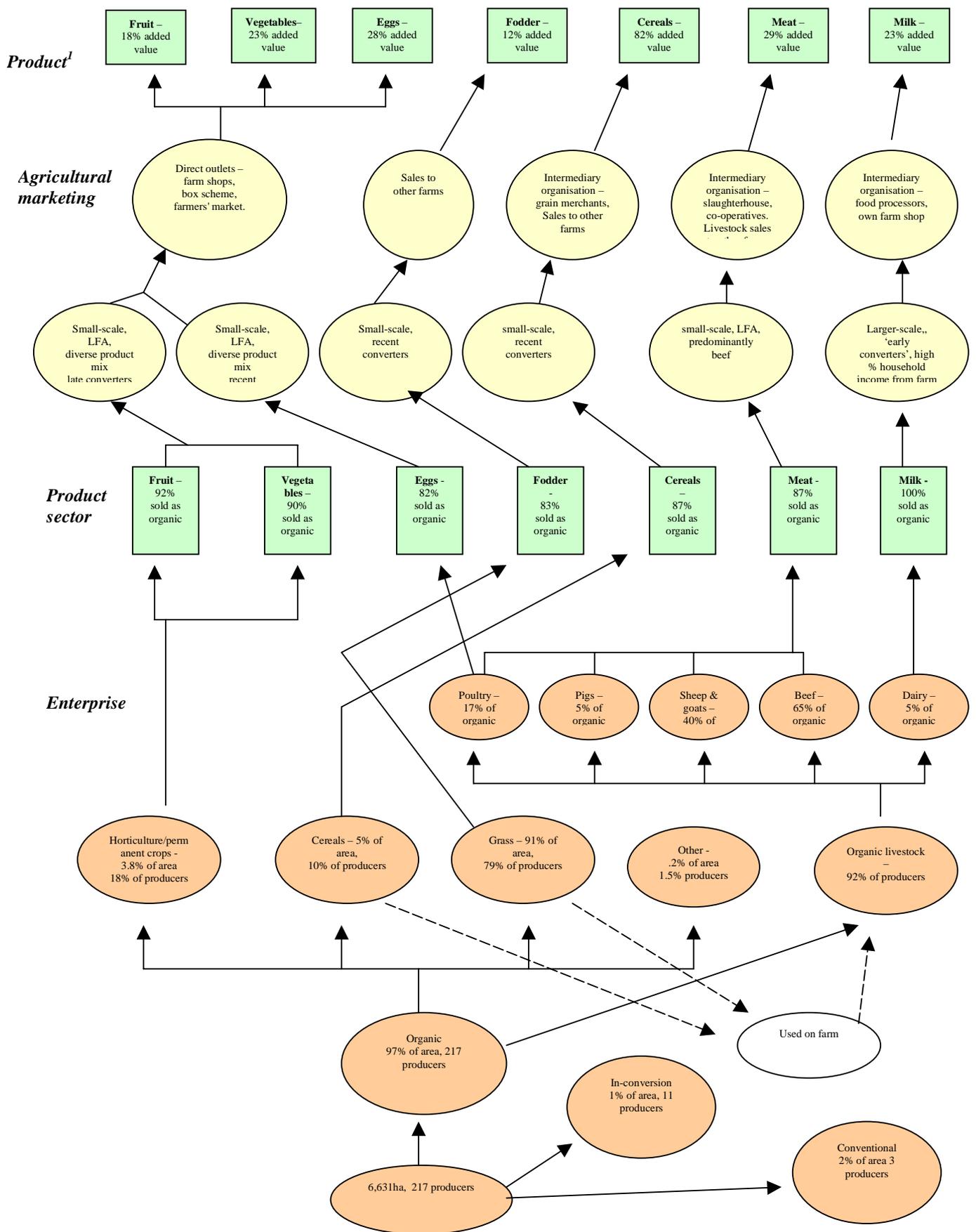
Table 8 below highlights the channels through which producers of various products sold their goods. The most popular channels for fruit and vegetables were the farmers market, own farm shop and the box scheme/home delivery service. Slaughter house was cited as the most common channel for meat, followed by other farms and farmers' market, respectively. Own farm shop, the box scheme/home delivery service and the farmers' market were of equal importance as outlets for eggs. Cereals were sold most commonly onto organic grain merchants, followed by other farms and food processors respectively. Fodder was only sold through 2 of the 16 channels listed. The most common channel for fodder was other farms, followed by the farmers' market. All those who produced on-farm processed products sold all or some of their products at the farmers' market, followed by their own farm shop.

Table 8: Percentage of farmers who sell organic produce through each channel																
	Fruit		Veg		Meat		Milk		Eggs		Cereals		Fodder		On-farm processed products	
Total no. of producers	14		39		182		5		17		15		12		5	
No. who sold some or all produce as organic	13		35		158		5		14		13		10		5	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Other farm	0	0	1	3	45	28	0	0	1	7	5	38	10	100	0	0
Pick your own	2	15	1	3	1	.6	0	0	0	0	0	0	0	0	0	0
Own farm shop	4	31	11	31	5	3	2	40	5	36	0	0	0	0	3	60
Box scheme	4	31	9	26	11	7	0	0	5	36	0	0	0	0	0	0
Farmers' market	5	38	13	37	26	16	0	0	5	36	0	0	1	10	4	80
Food processor/slaughter house	0	0	1	3	77	49	3	60	1	7	2	15	0	0	0	0
Wholesale market	0	0	4	11	2	1	0	0	0	0	0	0	0	0	0	0
Co-op	0	0	1	3	6	4	0	0	0	0	0	0	0	0	1	20
Wholesaler	0	0	3	23	8	5	0	0	2	14	0	0	0	0	0	0
Organic grain merchant	0	0	0	0	0	0	0	0	0	0	8	61	0	0	0	0
Super/hypermarket	0	0	6	17	1	.6	1	20	1	7	0	0	0	0	0	0
High st. shop	3	23	7	20	0	0	0	0	4	28	0	0	0	0	1	20
Organic high st. shop	2	15	4	11	4	2	1	20	1	7	0	0	0	0	0	0
Hotel/caterer	1	8	7	20	2	1	0	0	1	7	0	0	0	0	0	0
Foreign market	0	0	0	0	3	2	0	0	0	0	0	0	0	0	1	20
Other	4	31	7	20	14	9	0	0	4	28	0	0	0	0	0	0

Table 9 below illustrates the mean percentage of produce sold as organic in the most recent complete financial year by farmers through each marketing channel. The farmers market was the single most important channel for the distribution of organic fruit, vegetables, eggs and processed products. Food processor/slaughter house was the most important channel for selling meat and milk, while other farms was the most important for fodder.

Table 9: Average percentage of organic produce sold as 'organic' through each marketing channel for each product								
	Fruit	Veg	Meat	Milk	Eggs	Cereals	Fodder	On-farm processed products
No. who disclosed channels	13/14	35/39	154/182	5/5	14/17	13/15	10/12	5/5
Other farm	0	0	23	0	0	31	96	0
Pick your own	14	3	0	0	0	0	0	0
Own farm shop	10	15	1	20	21	0	0	17
Box scheme	11	8	4	0	12	0	0	0
Farmers' market	23	22	14	0	32	0	4	61
Food processor/slaughter house	0	2	42	60	3	5	0	0
Wholesale market	0	6	1	0	0	0	0	0
Co-op	0	3	3	0	0	0	0	12
Wholesaler	0	5	3	0	4	0	0	0
Organic grain merchant	0	0	0	0	0	58	0	0
Super/hypermarket	0	8	0	16	2	0	0	0
High st. shop	5	5	0	0	13	0	0	2
Organic high st. shop	6	5	2	4	1	0	0	0
Hotel/caterer	1	5	1	0	7	0	0	0
Foreign market	0	0	0	0	0	0	0	6
Other	30	13	6	0	5	6	0	0
	100	100	100	100	100	100	100	100

Figure 12 below shows a food chain diagram for the Irish organic sector.



¹ Added value = (price premium received * percentage sold as organic)

Figure 12: OFS Food Chain Diagram for Irish Organic Sector

Patterns between marketing channels used and farm/farmer characteristics and products sold:

3.3.3 Marketing Arrangements Used

Farmers were asked which business arrangements they currently had with their customers and what type, if any, they would prefer to have. Forty four percent of farmers had no contract or agreement with their customers, with 16 percent stating this to be their preferred arrangement. Twenty seven percent of farmers had an informal agreement with their customers, whereby customers had no commitment to buy. Thirteen percent stated this to be their preferred arrangement. Five percent had an informal agreement on sale or return basis, with 3 percent claiming this arrangement to be their preference. Six percent had a formal contract for all of a product, while 43 percent claimed that this would be their preferred arrangement. Four percent of farmers had a formal contract for a specified volume of a product with their customers. Fourteen percent claimed this type of contract to be their preferred type. While post-planting pre-harvest formal contract for a specified volume was cited by just over one percent as being their preferred arrangement, no farmer actually had this type of agreement with their customers. Two percent had a post-planting pre-harvest formal contract for their entire crop with their customers. Three percent claimed this arrangement to be the most desirable.

Six percent had a formal contract for all of a product, while 43 percent claimed that this would be their preferred arrangement. Four percent of farmers had a formal contract for a specified volume of a product with their customers. Fourteen percent claimed this type of contract to be their preferred type. While post-planting pre-harvest formal contract for a specified volume was cited by just over one percent as being their preferred arrangement, no farmer actually had this type of agreement with their customers. Two percent had a post-planting pre-harvest formal contract for their entire crop with their customers. Three percent claimed this arrangement to be the most desirable.

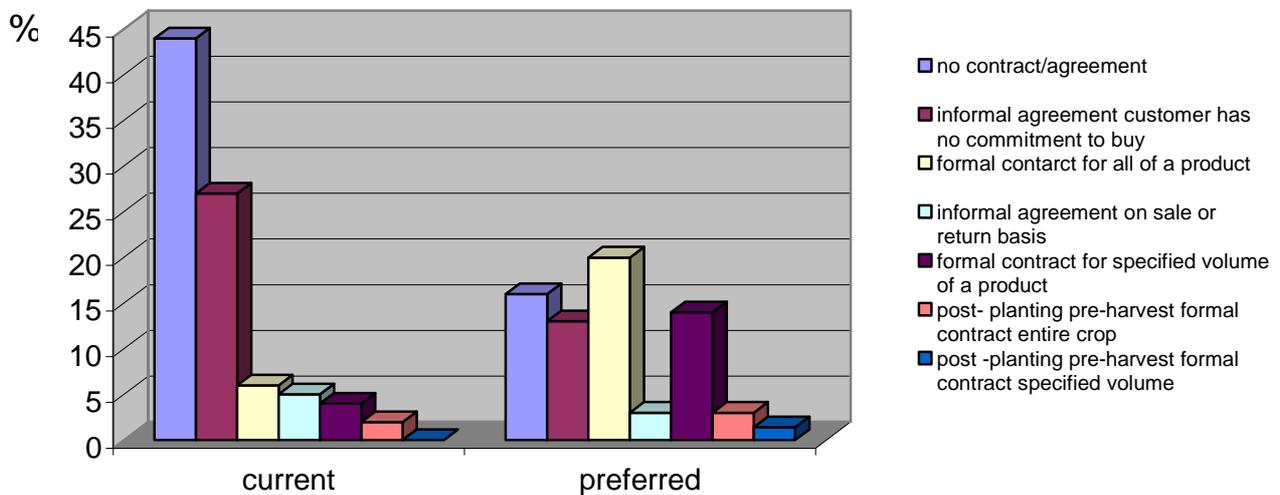


Figure 13: Current and preferred business arrangements farmers have with customers

3.3.4 Aids to Marketing

Farmers were asked which marketing approaches they would find most helpful in marketing their organic and in-conversion produce, respectively. They had to score their top three choices in order of importance, where 3 = most important. Government promotion of the organic sector was the most commonly cited approach, cited by 75 farmers and attained the highest score (158). This was followed by EU support for the organic sector, cited by 53 farmers and attained a score of 106. Information regarding available outlets featured as the third most helpful marketing approach. This was cited by 44 farmers and attained a score of 102. Other important aids to marketing cited by farmers included consumer education about organic agriculture, marketing co-operatives, local retail outlets, a national label for organic products and farmer support groups. Considerably fewer farmers selected approaches that would assist their marketing of conversion grade products. Many farmers were beyond the conversion period, which is reflected in small number of responses in the 'in-conversion' column in the table below. This table highlights the number of farmers who selected each approach and the overall score each approach obtained (Table 10).

Marketing approaches	Organic		In-conversion	
	No.	Score	No.	Score
Information about marketing practices	10	19	1	3
Information about available outlets	44	102	2	4
Government support for producer marketing initiatives	34	69	1	2
Government promotion of the organic sector	75	158	2	4
Government support for processing ventures	21	39	1	3
EU support for the organic sector	53	106	0	0
National label for all organic products	38	69	1	1
Consumer research	10	21	1	3
Consumer education about organic agriculture	46	96	3	6
Supermarket promotion of organic food	26	48	1	2
Supermarket support for producers	18	32	3	3
Farmer co-operation/marketing co-operatives	42	81	5	9
Farmer support groups/networking	34	63	1	3
Local retail outlets	40	81	3	6
Year round price stability	25	53	2	5

3.3.5 Benefits of Sale Outlets

Farmers were asked which factors were most important to them when considering customer outlets for organic and in-conversion produce. As above, they had to score their top three choices in order of importance, where 3 = most important. Highest premium obtainable was the most commonly cited factor, cited by 81 farmers and attained an overall score of 178. Location featured as the second most important factor, with 72 citing a local outlet as important when considering a customer base. This attained a score of 147. The third most

common cited factor was an outlet that had a guaranteed secure future. This was cited by 60 farmers and attained a score of 125 (Table 11).

With regard to conversion grade products, a considerably lower number of farmers cited the marketing approaches they would find most helpful for selling such products. Of those who did respond premium was the most important. This was followed by a minimal amount of administration/documentation and contact with other farmers and growers respectively.

Table 11: Benefits of sales outlets				
Benefits	Organic		In-conversion	
	No.	Score	No.	Score
Contact with other farmers and growers	57	120	3	6
Face to face contact with customers	54	119	2	3
Minimal administration and documentation	37	60	4	9
Exemption from trading standards	5	10	0	0
Marketing assistance available	24	48	2	4
Specialist label available	17	34	1	1
Added value from on-farm grading and packing	7	14	0	0
Highest premium obtainable	81	178	4	11
Minimal extra labour required	22	35	1	1
Year-round price stability offered	45	93	1	2
Minimal transport costs	44	78	2	3
Local outlet	72	147	2	2
Small volume of product accepted	17	33	1	3
Future security of outlet guaranteed	60	125	1	3
Year round availability	22	40	0	0

3.3.6 Attitudes to Organic Farming

Farmers were presented with six attitudinal statements relating to organics and asked to indicate their level of disagreement/agreement on a seven point likert scale. The statements and farmers responses are discussed below.

Eighty eight percent of farmers agreed that the flavour of organic products was better than conventional products, with the same percent agreeing that the market potential for organic food was growing. These statements attained mean scores of 6.0 and 5.9 respectively on the 7 point likert scale. Eighty two percent agreed that consumers were prepared to pay a premium for organic food, this attained a mean score of 5.3. Eighty one percent agreed that the quality of organic products was better than conventional products and attained a mean score of 5.8 (Figure 14).

Thirty six percent agreed that 'organic products look better than conventional products'. This statement attained a mean score of 4.2. The only statement that had a mean less than 4 (2.8) was that relating to the number of processors. Sixty two percent of candidates believed that there were not enough organic processors (Figure 14).

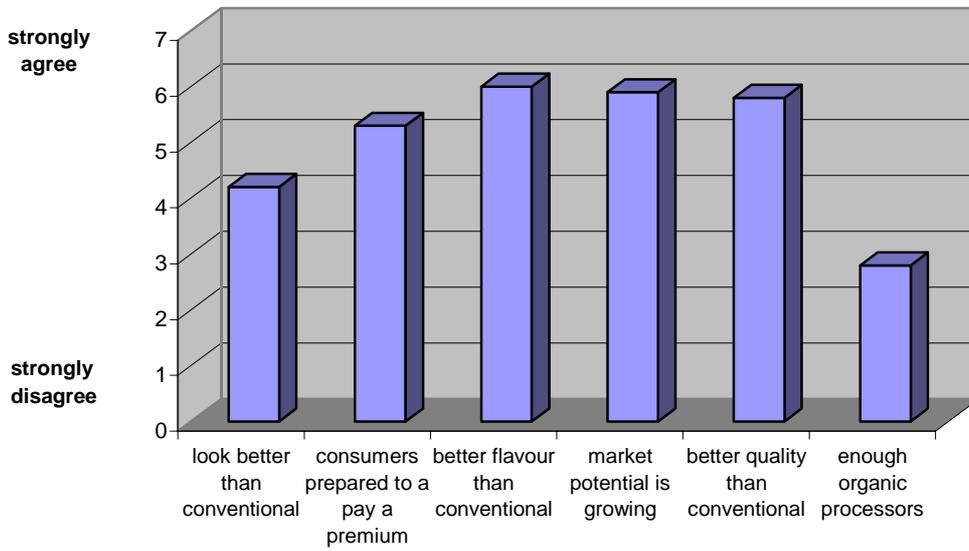


Figure 14: Farmers' attitudes towards organic food and farming

Each of the statements was cross-tabulated with gender, age of farmer, age at which education ceased, level of education, size of farm and the value of organic, conversion grade and conventional products. No significant relationships, however, were identified.

4 RETAIL INTERVIEWS

This section explores the nature of different markets through which organic and conversion grade products are marketed under the topic headings outlined earlier.

4.1 Policies for organic and conversion grade products

Policies for organic and conversion grade products in Ireland are based on what was set down in EU regulations on organic farming. The organic sector is regulated by Council Regulation (EEC) No 2092/91. The following section outlines current quality policies for organic and conversion grade produce and the various barriers experienced by intermediaries in implementing such policies.

4.1.1 Current Quality Policies

The current quality policy of the accreditation bodies for organic grade products is to maintain and uphold the EU directive for organic regulations in Ireland. Members must adhere to the guidelines that are laid down by the Department of Agriculture and Food. While incorporating the requirements of the EU regulations, the three Irish organic accreditation bodies apply standards that tend to be higher than those set down by the EU. Certain quality policies must also be in line with the UK Soil Association standards and the United Kingdom Renderers Association (UKRA) standards.

The two semi-state bodies, An Bord Bia and An Bord Glas, have a role to play in the marketing of organic food in the domestic and export markets. In its most recent report on organic food in Ireland Bord Bia addresses the various policy issues regarding organic and conversion grade products.

Both semi-state bodies were members of a recently developed organic development committee. The committee recommended some new structures to assist the development of the organic sector in Ireland including an Organic Market Development Group under the co-ordination of An Bord Bia. The committee also recommended the establishment of a quality assurance scheme for organic food as the sector expands. The recommendations of this report has led to the establishment of a National Steering Group, which is a driving force for the development of the Irish organic sector.

All manufacturers produce their product according to certification guidelines set out by one of the three accreditation bodies. The majority of respondents had some form of quality assurance scheme in operation. Almost all of the manufacturers operated under the guidelines of HACCP, while some respondents were registered and certified to ISO 9002, the Q-mark, BRC (British Retail Control Standard), GHP (Good Hygiene Practices) and GMP (Good Manufacturing Practices). Quality policy was seen by one manufacturer as adhering to procedures by keeping records and maintaining standards. High quality of ingredients and full traceability were noted as important factors. Some manufacturers had lab-testing procedures in place to ensure high quality standards of imported organic produce.

Organics vary quality wise. Dealing with fresh produce you are always going to have quality issues. (Processor)

Retailers relied on wholesalers and manufacturers to check the authenticity of the organic products. However, in relation to fresh produce i.e. vegetables, one retailer explained how the company carries out a check on the organic certification of the producer. Traceability is also seen as an important factor to ensure quality. The visual appearance is also used to assess the quality of fresh produce.

One processor mentioned how the quality policy for organic produce was the same as that for conventional. A high percentage of respondents stated that all organic ingredients must be sourced from certified organic sources. In a number of cases supermarkets required extra quality specifications. For example a cheese processor explained how he stopped supplying Tesco because they were always demanding extra quality specifications. He simply could not compete on the same level as some of the other larger companies supplying Tesco.

The organic message is difficult enough to get across to the consumer and it (conversion) would be a further complication. (Processor)

We are accredited by the Organic Trust and they wouldn't allow anything like that (conversion). All produce is properly organic. (Processor)

4.1.2 Barriers to Quality Policies

According to the accreditation bodies a lack of education on the part of producers is one of the main barriers to introducing and implementing the quality policies for conversion and organic grade products. Information needs to be made readily available to all involved in the organic sector. Respondents suggested that there would be confusion in the market place if conversion grade produce were introduced.

Likewise the marketing organisations suggested that it would be difficult for consumers to grasp the idea of conversion grade produce.

The idea of conversion would just add another layer of confusion. (Marketing Organisation)

You are trying to build up awareness among consumers of what organic food stands for and if we are going to offer them this in conversion one as well and try and explain the difference, yet it is similar. It is a tricky proposition to get across. (Marketing Organisation)

Lack of information and communication on the meaning of organic is also viewed as a barrier by marketing organisations. Similarly the main barriers experienced by retailers included lack of communication with the organic associations. The need for more effective communication, information and education along the supply chain is considered important among retailers.

I've been running the shop for two years and I wouldn't have had any communication from Irish organic associations unless we would initiate

something. It is important at our end of the market that the standard is kept (maintained) all the way and more information and education are needed. (Retailer)

Barriers to introducing and implementing such quality policies have been overcome by the food co-op through effective communication

Our situation is different to the supermarket situation because our members get to know the growers and there is a whole element of trust. (Food Co-op)

Recent research by the marketing organisations demonstrates that price is a major barrier to consumption of organic food. The research suggests that availability, range and quality of organic supplies were other key barriers. The presentation of fresh organic produce was found to be a barrier, where the product often looks inferior. Other findings suggested that a lot of conventional producers were put off the idea of conversion due to difficulties in sourcing labour.

Once you go organic you are talking about more labour and people are finding it hard enough to get labourers to sit on tractors. (Marketing Organisation)

The research suggests that one of the main barriers to introducing and implementing quality policies among manufacturers was a shortage of Irish organic supplies. Sourcing certified organic supplies of good quality were issues raised by a number of manufacturers. Respondents explained how they have to import supplies including feed stuffs from various countries across the EU. An ice-cream producer explained how he has to source milk powder from Austria because there was no Irish milk available while a crumb producer importing from the UK spoke of the huge problems sourcing Irish organic bread.

Small bakeries would do organic but not on the scale that we would work with. (Producer/processor)

These secondary producers experienced increased production costs as a result. One respondent explained how:

Very few of those products are Irish, which means it is all imported which means then you have to travel. There is very little organic produce in Ireland itself. (Processor/distributor)

The same respondent added that the quality of imported batches could be poor.

This leads to problems returning the batches, which in turn lead to increased costs. (Processor/distributor)

Retailers referred to the continuity of supply as a key barrier. It was noted how it would be difficult to maintain a supplier base of such products as the base would be changing every two years. In addition growers were seen to be very small, growing one or two drills of crops instead of one or two acres.

The grower will make something really good but they don't have the continuity so if you go to the trouble of finding a customer and you spend ages trying to get a market for the product and then they run out of the product it is so frustrating. (Retailer)

Some manufacturers mentioned the heavy amount of paperwork involved in implementing these quality policies. Another respondent spoke of the heavy amount of paperwork involved for certification and REPS.

We are a small business, there is a lot of paperwork involved and it's very difficult to check all the boxes. (Processor)

4.1.3 Policy on Premiums

Due to higher production costs organic food products require a price premium compared to conventional food products. Intermediaries discussed the premiums they are willing to pay now and in the future for organic food produce. Price premiums varied according to product categories and time of year with a range of between 10 and 200 percent.

According to one accreditation body in-conversion dairy products do not command any extra premium unless the client can sell through direct sales. Price premiums for meat products fluctuate from time to time depending on the market for conventional meat and the time of year. Some products may be sold as conventional due to gluts in supply.

Marketing organisations have carried out research on price premiums at the various stages along the supply chain. Research indicates that premiums for organic food of between 20 and 25 percent are likely to be acceptable by consumers. However, in practice price premiums tend to be much higher. It was found that poultry and pigmeat could command premiums of up to 200 percent.

The grower and the consumer member determine price premiums in the food co-op.

The price for vegetable produce is determined between the grower and the consumer member and the consumer is prepared to pay a premium. It is very much what the consumer can bear and in our case the consumer appreciates the labour intensive nature of the work of growing food organically. (Food Co-op)

A horticultural producer stated that it is not acceptable to quote a set premium for organic produce. A 10 to 20 percent premium might be agreeable for a certain line of vegetable but not for another. Therefore it is important to differentiate between the various products when setting price premiums.

To say that for an organic carrot crop 10 percent of a premium is enough or 20 percent is enough, its not, for some lines 20 percent is acceptable for others its not and that's why its not fair to say that organics deserves a 20 or 25 percent premium. (Producer)

A cheese manufacturer commands a premium of up to 35 percent. However, this price premium is beginning to decrease in some cases. Premiums depend on what markets their

wholesalers can reach. Price premiums for organic lamb lie between 20 and 35 percent above conventional prices quoted in the national newspapers. However, a number of meat processors explained how it is difficult to achieve high premiums on an already high priced product e.g. lamb. Therefore it is important to differentiate between a high premium due to a low conventional price and a high premium on top of a good price. A number of respondents noted how it is important to differentiate between product categories when determining price premiums. A restaurant commands a premium of up to 30 percent on lamb and meat, a higher premium on vegetables and a premium of up to 200 percent on poultry.

The price premium for organic salmon was 20 percent above farmed salmon but 20 percent below wild salmon. It is believed that price will come down as the market for organic salmon grows although at the moment price is maximised where ever possible.

Another manufacturer described how the customer determines price policy. The product is generally marketed before a price is set. A premium of between 12 and 15 percent is acceptable. Many respondents said that price premiums are determined by market behaviour.

Price is a big issue for retailers. The mark up for local grown and Irish grown fresh produce is very low compared to price premiums for further processed foods.

4.2 Labelling

Under EU regulations there are specific labelling rules designed to provide the consumer with an assurance that produce is sold as organic. This section focuses on the labelling system used for organic products, appropriate labelling for conversion grade foods and the use of environmental or social benefits to promote such products. It addresses whether the current system is working to everyone's advantage and whether there is scope for third party labelling.

4.2.1 Current Labelling

The accreditation bodies accept that there is some confusion among consumers with the three organic certified symbols for organic food. One body explained how there is poor awareness of the different logos. They added that a general Irish logo would work with a big marketing campaign whereby there would be clear identity that the product was organic.

If there is one (logo) it gives the consumer more reassurance that everybody conforms to this standard. (Accreditation body)

However, another accreditation body had reservations on a generic logo in Ireland but added that it would be a good idea to use a generic marketing logo when selling organic produce abroad.

Marketing organisations referred to the recommendations of the organic development committee to develop a national label. Research carried out by one development agency showed that the majority of consumers are not aware of or familiar with the current labelling

system. An Irish organic symbol is favoured by the marketing bodies as they believed it would remove the confusion for consumers.

From a consumer information and a marketing point of view, one national label makes a lot of sense. (Marketing Organisation)

It is a common view of the marketing organisations that there is a need to build consumer awareness with an Irish logo. The marketing organisations also believed it would be beneficial to develop an Irish logo under an '*umbrella agency*.' This would help differentiate Irish produce when exporting.

The food co-op believed that there is a need for a composite label that describes where the product is grown and which shows both an Irish and European dimension. The three symbols that exist at the moment are viewed as confusing for the consumer.

The vast majority of manufacturers were satisfied that the current EU labelling system for organic food products is working to everyone's advantage. Manufacturers follow the labelling rules as set out by their accreditation body.

We comply with the regulation; we've put our EU numbers on it, its simple enough. (Processor)

One manufacturer added that consumers need to be made more aware of organic labelling. Many respondents believed that country of origin should be specified on the label. The importance of labelling in relation to traceability was raised a number of times by respondents.

A small number of respondents admitted that they were not involved directly with labelling but felt that the current system was working to everyone's advantage.

Although most manufacturers believed that there is a need for a national logo, one meat processor stressed that there is a need for the organic sector to maintain its independence.

I want the farmers to focus on consumers and if we create one body the danger is there that this one body will focus on agricultural policy. (Processor)

The same respondent explained how there might be an advantage to have one logo from a marketing point of view.

In general retailers are satisfied with the current EU labelling system for organic foods. One retailer noted how there is a need for more information to be made available for customers to create awareness of the current symbols.

4.2.2 Conversion Grade Labelling

The accreditation bodies were of the view that labelling of conversion grade food products would only confuse the consumer. One accreditation body did not view it as a '*good marketing tool*.'

Rules for in-conversion labelling are stipulated in detail in the regulations laid down by the accreditation bodies. One such body stipulates that horticultural produce can be sold as in-conversion to organic but the word organic cannot appear larger than the in-conversion wording so the word organic is not exploited. It was suggested that such produce could be sold more easily through direct sales.

Marketing organisations also opined that conversion grade produce would be confusing for the consumer.

Until you develop the organic one (market) the chances of developing the conversion one is just another layer of confusion. (Marketing Organisation)

The groundwork has to be done to communicate what organic is first before you throw in this extra confusion. (Marketing Organisation)

Almost all manufacturers believed that the marketing of conversion grade produce would cause confusion among consumers.

By selling in-conversion produce it may weaken the perception of organic. (Processor)

A small number of manufacturers noted how there could be a market for in-conversion livestock feeds (as there is a huge shortage of supply in Ireland). However, one such respondent stressed the need to keep in-conversion produce out of the consumer market.

I don't like the idea because it is a short-lived product. It is not worth branding because in a year's time you have a full symbol so I would keep it out of the consumer market. (Processor)

One manufacturer believed that there could be a market for in-conversion food products if they were labelled properly. A cheese manufacturer produced a conversion cheese and labelled it accordingly. The food co-op sold conversion grade produce and labelled it simply with a hand-written sign. The in-conversion vegetables are sold at the market as produce free from residues and chemical sprays. The co-op suggested that consumers need to be more educated on the area of conversion through an awareness programme at national level.

Retailers were open to the idea of in-conversion and noted how they have stocked such produce on a small scale. The food would be labelled as produce '*grown without pesticides or artificial fertilisers.*'

4.2.3 Environmental and Social Benefits

After prompting many respondents believed that conversion grade products could be marketed as environmentally friendly, residue or chemical free products.

It might be better if you just emphasised the point that it was untreated produce or naturally grown produce. (Processor)

I would be more inclined not to use the word organic. Sell conversion as an environmentally friendly product. I think the word organic should be reserved just for organic. (Processor)

Most of respondents felt that it would be easier to market conversion grade food as environmentally friendly products.

It would be easier to sell it on its natural attributes rather than on conversion. (Processor)

4.3 Conversion Grade Products

It is evident from the research so far, that many intermediaries perceive that conversion grade food products could further add to the confusion surrounding the organic food sector. This section examines intermediaries' knowledge and attitudes to conversion grade food products. Views on the different markets for organics are outlined also.

4.3.1 Knowledge and Attitude

In relation to their knowledge of conversion grade food products respondents appeared quite familiar with the subject. Many respondents spoke freely on the subject of conversion and had strong opinions on the topic. Various attitudes were expressed towards the idea of conversion products although most intermediaries were sceptical on the idea. It is generally considered that consumers are not aware of what conversion grade produce is. One respondent was of the opinion that there is enough confusion among consumers with the different product types such as free-range, natural foods and organic and that in-conversion would further add to such confusion.

It would be very hard to get across what you mean by in-conversion grade produce and the benefits of it. (Processor)

4.3.2 Market for In-conversion Products

A significant number of respondents were against the idea of marketing conversion grade food products. Such a marketing ploy was seen to be confusing from a consumer point of view. Some respondents believed that the two-year conversion period is seen as a relatively short time to wait. Accreditation bodies were of the opinion that the market for conversion grade food products is underdeveloped and very much self limiting. It was also noted how it would be difficult to maintain a supplier base of such products as the base would be changing every two years. Other respondents cast the idea of marketing conversion grade foods aside because of logistical problems.

There is insufficient product to maintain a constant supply and fewer farmers are coming forward who are converting. (Accreditation body)

Can there be a guaranteed supply of raw material in its conversion form? I think the logistical problem of serving the market is too great. (Producer/distributor)

It's like producing a lot of product out there on the factory floor and you get it half way through but you don't know how you are going to finish the other half, that is a non-runner. There has to be a start, middle and finish. And if the market is not there for, you don't create; it's like everything else you need to create the market at the end. (Processor)

It is considered that consumers are more willing to buy a certified product as it has gone through a set of standards. One processor explained how conversion grade products have a role to play in farm supply and animal feeds. However, the same respondent commented:

I would keep it (conversion grade) out of the consumer market. (Processor)

On a more positive note a small number of respondents felt that a market for conversion grade foods could be developed. Only a small percentage of intermediaries actually handled conversion grade food products. In most instances this referred to fresh produce i.e. fruit and vegetables. One respondent explained how factories do not take conversion grade beef. The meat has to be full symbol organic. Another respondent explained how he processed in-conversion cheese, labelled it accordingly and sold it to a wholesaler.

In addition several intermediaries noted how they could see a market for horticultural conversion grade foods i.e. fresh produce as opposed to dry and processed food products.

Retailers explained how they take conversion grade produce from local growers at certain times of the year. Retailers also noted how it is up to producers who are in the conversion phase to be aware of the market. One retailer gave the example-

If people come and they're looking say for leeks, now there's no organic leeks but there's some leeks that have just arrived that the grower is in conversion they'll be happy to buy them. So it's up to the grower in conversion to be aware of the market. (Retailer)

One respondent explained how such products often are supplied to restaurants wholesale. Such customers are seeking a good quality product.

They're looking at the quality of the product and where it came from. If it looks good and if it tastes good and if the price is reasonable they'll buy it. It's as simple as that and a lot of customers will have the same attitude. (Retailer)

A number of respondents felt that the only suitable market for conversion grade was through direct sales. Farmers markets and home sales were suggested as suitable markets.

The only market for in-conversion is local markets. (Accreditation body)

I would recommend to anyone who is in conversion, try to market directly as much as possible, you get a better premium that way. (Producer/restaurant)

Cut out the middleman and develop a customer relationship with your customers. Go to a farmers market, state in-conversion to the consumer, offer

it cheaper than organic but you still get a lot more than if you would give it to a wholesaler. (Producer/restaurant)

In addition respondents believed that the market for conversion grade food products is dependent on consumer satisfaction. Taste and price are two main factors that influence consumers' choice. Some respondents commented that conversion grade foods could succeed if produce was sold at a reasonable price.

If someone likes the taste of the produce (in-conversion) they will come back again. (Processor)

It is a way of introducing people to the philosophy of organics. (Food co-op)

One respondent noted how conversion is a lot closer to organic than it would be to conventional. Similarly another respondent stated-

If I have the choice between conversion and full symbol I will go for the full symbol but if I have the choice conversion or conventional I would definitely go for conversion. (Producer/restaurant)

There is no policy available for marketing livestock products as in-conversion, hence such products must be sold as conventional or otherwise. Where crops or crop products are concerned, legislation permits them to be marketed as in-conversion provided they are in second year of transferring over from conventional farming.

4.4 Future Market

In general the market outlook for organic food is considered very positive. The following section focuses on intermediaries' perception of the future market for organic and conversion grade food products. Marketing support for the organic sector in terms of public funding is also addressed.

4.4.1 Perception

A large number of intermediaries perceived some form of growth in the organic market. However, many respondents find it difficult to see a market for conversion grade food products. One respondent noted how the only market for conversion grade food is in direct sales. Retailers believed a future market exists for conversion grade fruit and vegetables with reduced price premiums. Another respondent suggested that conversion grade produce be sold as '*untreated, natural produce at a reasonable price.*'

It was also perceived that growth in the organic consumer market would not be matched by similar growth from the producer's end.

I think there is potential for growth in the market for the consumer but I am just not convinced that we are going to get the producer that will build that. (Marketing Organisation)

The future market is perceived to be very strong for horticultural produce. The market for organic lamb is expected to develop at a slow pace. One accreditation body believed the market for organic beef has less potential due to the strong market that currently exists for conventional beef.

At the moment there isn't as much potential in the beef because of conventional beef, it's a good product at the moment. You can't find fault with it. (Accreditation body)

It is believed that the future market for organic foods will expand as consumer awareness grows.

People are becoming more aware of problems of mass production. (Processor)

Similarly another processor perceived a solid growth for organic food within a quality food market. One respondent pointed out that the success of a processed organic product is dependent on whether it could be exported to the UK market. A leading organic processor/distributor perceived a link between organic growth and increased supermarket demand.

I think the market will grow, once the supermarkets want it. (Processor/distributor)

A number of respondents believed that the future market for organic foods will be determined by economic factors such as income and price.

I can't see organic growing unless it comes in at a price point that is going to become competitive with standard (Conventional food).

Price premiums must be reduced if organics is to take off at the retail end of the Irish market.

We need to bring down retail selling prices and until we reach that day organic is always going to be hijacked by a perception of poor value for money. (Marketing Organisation)

A leading meat processor noted how there is a strong link between available income and organic consumption.

The organic sector took off when people started to have more money in their pocket so it obviously goes along with available income.

One restaurant owner perceived a market for conversion grade produce –

If you could emphasise simply the fact that it (conversion grade food) is untreated produce, natural produce at a reasonable price then people would buy it, I have no doubts that it certainly would sell. (Producer/restaurant)

A small number of respondents were not so optimistic on the future of the Irish organic sector.

Customers don't know the benefits of organics. (Processor)

There was a concern that the Irish organic market would continue to be supplied by imported raw materials. The knowledge and information deficit is believed to inhibit the future growth of the sector. Respondents felt also that there is a lack of positive publicity for the organic sector in Ireland.

4.4.2 Support

The majority of respondents viewed Bord Bia as the main vehicle for marketing the organic sector in Ireland. Intermediaries believed that a marketing campaign to create consumer awareness should be supported by Bord Bia. A high percentage of respondents felt that the Department of Agriculture and Food should offer more support in marketing organic foods. A number of respondents noted how all players in the organic supply chain should subscribe to a marketing budget, which would push the organic trade forward.

It is important for policy that people are identified who are capable of driving the sector forward. (Processor)

Promoting organic foods without discrimination towards conventional foods was seen as an issue by one marketing organisation. It was explained how there is no set promotional programme for organic foods within the organisation. It is preferable to promote organic food on its merits rather than at the expense of conventional foods.

There is general consensus that there is a lack of marketing support for organic foods in Ireland. Respondents believed that the sector does not have the required resources to make an impact in the UK market. Almost all respondents stressed the need for consumer information and education to further develop and market the organic sector. Greater government support for all elements of the supply chain is required. There is a need for more investment to encourage organic farmers at one end and a need to develop new market outlets for organic produce at the consumer end.

Although there has been increased interest by Irish marketing organisations and the government a minority contend that these organisations pay insufficient attention to promoting the organic sector. Intermediaries highlighted the irregularities that exist in the marketing of the Irish organic sector. One accreditation body noted how organic products are often sold as conventional because there is no market for organic.

We don't have the resources to market, to get into the UK, we need some support from a government agency. Ireland at the moment is producing a good product. It's an absolute shame to see that product being sold conventionally after all the good work that has gone in there. (Accreditation body)

A number of respondents considered that supermarkets have an increasingly important role to play in the organic supply chain. Furthermore respondents suggested that supermarkets have a particular influence in supporting marketing of organic and conversion grade foods. Supermarkets are seen to hold a significant amount of power within the food chain in Ireland. A number of respondents suggested that in-store promotions be held.

4.4.3 Comparison with Conventional

A high percentage of respondents felt that a significant gap continues to exist between organic and conventional food products through standards although the image of such products have approached one another in recent times. Accreditation bodies commented how standards are poles apart between organic and conventional products.

Only a small number of respondents were of the view that standards for organic and conventional products have approached each other recently.

Many respondents noted how until recently the organic movement was often seen as little more than a “*bunch of hippies*” farming to traditional methods. However, recently the issues, which drive the sector – protection of the environment, sustainable development, food safety, have moved centre stage as primary consumer concerns. Organic standards have improved in recent years according to many intermediaries.

There is the image in the organic sector of long hair, canvas shoes and duffel coats. We are not like that. We take it totally differently. (Processor)

However, many intermediaries believed that the organic sector has a lot to offer but suggested the organic products have yet to reach similar standards in terms of quality as that of conventional products. One processor noted how organic products are comparable quality wise to conventional but are not superior to them.

I wouldn't be an expert on organics but I would say that the quality is good or as good, I wouldn't say it's hugely better. (Processor)

The same processor suggested that there is a poor image of organics –

Image is poor, the image is not sexy. It's not cutting edge. It's a bit like porridge, everyone knows the benefit of it but how many eat it every morning? I think it needs to be jazzed up. (Processor)

Another respondent explained how organic produce looks very basic.

It goes for the more home-made image. Not a lot has been done to try and lift it. (Processor)

5 SUMMARY AND DISCUSSION

This report sought to assess the marketing channels for conversion grade food products. The objectives were addressed by a survey and a series of in-depth interviews. The Organic Farmers Survey identified the different marketing channels for organic and conversion grade products used by agricultural producers. Costs and benefits associated with each were also assessed. The interviews explored the nature of different markets through which organic and conversion grade products are marketed. Constraints to the marketing of conversion grade products through each system were explored. (Retailer Interviews)

Organic Farmer Survey

Farm size and land tenure of those surveyed mirrors that of farming in general in Ireland. The average organic farm size is 30.7 ha., with the majority of farmers owning their land outright. Organic beef production was the most common type of farming, followed by sheep/goats. This is reflected in the number of farmers who had land devoted to hay/silage and grassland/grazing. Laying hens featured as the third most popular livestock animal, with 13 percent of farmers having same.

Organic farmers spent less of their working time than their conventional counterparts on the farm. However, this can be explained by the fact that almost half of the sample were engaged in non-farming activities. Farming in fact only generated up to 50 percent of household income for the majority of respondents.

The majority of those surveyed commenced conversion within the last 10 years, indicating the relative newness of this sector in Ireland. The majority of farms were located in less favoured areas. In most incidences farmers had not identified a successor for the farm, despite a third being over 50 years of age.

The majority of organic farmers were male and between 41 and 50 years of age. A very high proportion had no formal education in general or organic farming, a matter that should be addressed by the DAFRD and the three accreditation bodies.

The only significant difference found between farm and farmers characteristics was that between gender and working time spent on farm. This suggests that organic farmers are quite a homogenous group.

Just over a fifth of farmers obtained between 75 and 100 percent of their household income from the farm, indicating that this was not the main source of income for the majority.

In the last year of the in-conversion phase, the majority of farmers, with the exception of those selling cereals, either used their produce for their own production/farm or marketed it as conventional. While the minority sold their produce as 'in-conversion' (with the exception of cereals), this varied from 13 to 43 percent, depending on the product being sold. Cereals, fruit and vegetables were sold as 'in-conversion' by 61, 44 and 43 percent of farmers, respectively. However, a very high proportion failed to disclose what they did with their produce during this period, so figures quoted have to be treated with caution.

Each of the marketing channels, with the exception of a foreign market, was used by farmers to various degrees to distribute in-conversion output in the last year of in-conversion. The box scheme/home delivery service was the most commonly used method of distribution for those selling fruit, with 41 percent of all produce sold through this channel. The box scheme, in addition to own farm shop, were used by an equal percentage of farmers for distributing vegetables. However, a greater proportion was sold through the box scheme. Other farms was the most commonly chosen channel of distribution for meat (livestock), with a third of all meat (livestock) produced being sold on in this manner. Only one farmer marketed milk and another eggs as 'in-conversion'. In both incidences, the entire output was channeled through own farm shop. The majority of farmers selling cereals sold them through an organic grain merchant, the majority of produce was channeled through this route also. Only one farmer marketed fodder as in-conversion, all of which was sold onto another farm. The farmers market, own farm shop and high street shop were used for the distribution of on-farm processed products, with the former channeling the majority of it. Again, very few farmers disclosed information on the marketing channels they used during this period, so the above ought to be treated with caution.

Premiums received by farmers during the in-conversion period varied from product to product and had a range of between 0 and 100 per cent. Meat products and cereals commanded premiums of up to 100 percent. Farmers did not disclose premiums for in-conversion fruit and fodder. Premiums received for organic products also varied with a range of between 5 and 120 percent. Organic vegetables commanded premiums between 5 and 50 percent. Cereals commanded premiums up to 120 percent.

Where organic products are concerned, the farmers market was the most commonly used channel for the distribution of fruit, vegetables and on-farm-processed products. Higher proportions of these products were sold through the farmers' market than any other channel. The farmers' market was used by the same proportion of farmers for the distribution of eggs as own farm shop and the box scheme. However, a higher percentage was sold through the former. Food processor/slaughter house was used by a higher proportion of farmers than any other channel of distribution for meat and milk. As was the case with in-conversion cereal, the most commonly used channel for distributing organic cereal was an organic grain merchant. More than half of all cereal produced was sold through this channel. All farmers involved in the production of fodder sold it on to other farms, one farmer also sold a portion of his fodder in the farmers' market.

The farmers' market is no doubt one of the most important channels for the distribution of organic fruit, vegetables, eggs and on-farm processed products. For meat and milk, the most important channel for distribution is a food processor/slaughter house. Once processed however, these products may go through one or more channels before they get to the final consumer.

As seen from the above, in most incidences the importance of distribution channels changes upon acquiring full organic status. The farmers market surpasses the box scheme/home delivery service when it comes to selling organic fruit and vegetables. Conversion grade meat (livestock) is predominantly sold onto other farms; however, once it has full organic status is most commonly sold on to slaughterhouses. Own farm shop is the most important channel of distribution for conversion grade milk and eggs. Once full organic status is obtained milk is predominantly sold on to a food processor, while eggs are predominantly

sold in the farmers market. The importance of the respective distribution channels for the sales of cereal, fodder and processed products remains the same for conversion grade as organic.

With regard to business arrangements farmers have with customers, the majority (71%) claimed that they either had no contract/arrangement or just an informal one. The preferred arrangement, however, was to have a formal contract for all of a product, cited by the single largest number of respondents.

Government promotion of the organic sector was cited by farmers as the most helpful approach in marketing their in-conversion and organic produce. This was followed by EU support for the organic sector. Information regarding available outlets featured as the third most helpful marketing approach.

When considering customer outlets for their produce, the most important benefit is obtaining the highest premium possible. A local outlet featured as the second most important factor, followed by an outlet that had a guaranteed secure future.

Farmers in general had a positive perception of organic produce. They perceived the flavour and quality of organic produce to be better than conventional produce. They also held a positive outlook on market potential for organic produce in general. However, the majority believed that organic produce did not look as good as its' conventional counterpart. They also felt that there were not enough organic processors in the country.

Retailer Interviews

There was clear evidence from the research to suggest that quality policy for organic produce is of significant importance among intermediaries. Almost all respondents had some form of quality assurance system in place. Furthermore all respondents operated according to certification rules of the accreditation bodies. The (physical) quality of the food was an important element of the quality policy of most intermediaries.

The intermediaries interviewed represent a diverse group on a number of fronts thus a range of barriers to implementing quality policies were experienced. Lack of information throughout the organic sector is a major barrier according to the accreditation bodies and retailers. This may be one of the reasons why conversion grade produce is perceived (by many intermediaries) to be confusing for consumers. A major barrier to conversion among manufacturers is the lack of Irish organic supplies. In the majority of cases manufactures were forced to import because it was next to impossible to seek Irish supplies. According to market research carried out by the marketing organisations price is the main barrier to purchasing organic food. Although price is a barrier to consumption it inevitably hinders the development of quality policies for organic and conversion grade products.

Price premiums on organic foods vary according to product category, time of year and stage in the food supply chain. However no clear views emerged on price premiums for in-conversion foods. This fits in with findings from previous sections where most intermediaries viewed conversion grade foods as confusing from a consumer point of view.

In general the research suggests that the majority of Irish intermediaries are satisfied with the current EU labelling system. However intermediaries suggested that consumers have a low level of recognition of the three different logos that are currently representing Irish organic produce i.e. Organic Trust, IOFGA and Demeter. A significant number of intermediaries would welcome a generic national logo. Such a logo could be established through a marketing campaign. It would help reduce confusion in the market place both at home and abroad. This supports the recommendations of the Organic Development Committee to devise a national label for Irish organic food.

Overall there is a clear picture emerging that the majority of intermediaries are not inclined to handle conversion grade foods. A high percentage of respondents felt that labelling of conversion grade foods would add further to the confusion surrounding organic food at the moment. However it was suggested that if such products were marketed as environmental friendly, chemical or residue free products the idea of conversion could fit in.

Various attitudes were expressed towards the idea of conversion products. In relation to knowledge of conversion products respondents appeared quite familiar with the subject. Many respondents spoke freely on the subject of conversion and had strong opinions on the topic. A small number of respondents had a positive attitude towards the marketing of conversion grade foods.

Overall the vast majority of intermediaries did not believe that a market exists for conversion grade produce. Such a marketing approach was seen to be confusing from a consumer point of view. However some respondents perceived that a market for fresh produce in-conversion could be developed. Direct sales through farmer markets and home sales were viewed as areas of opportunity. A small number of intermediaries believed that conversion grade products have a role to play in farm supply and livestock feeds.

The research suggests that there is a lack of support for the marketing of organic and conversion grade produce in Ireland. Many respondents felt that there is a need for support in terms of public funding for the development of the sector. The majority of respondents viewed Bord Bia as the main vehicle for marketing the organic sector in Ireland. Some respondents felt that supermarkets could play a more important role in marketing organic produce.

It would appear that the majority of intermediaries believed that organic and conventional food products have not approached one another in recent times in terms of image and quality standards.

Most respondents perceived growth in the organic sector. Consumers are becoming increasingly aware of health and environmental implications associated with conventional food production systems and there is confidence in the industry that there will be a long-term future for organic foods in Ireland. Many respondents believed that the future market for organics would expand as consumer awareness grows. High growth rates for organic horticultural produce were predicted by a number of respondents. However only a small number of intermediaries believed that a market might develop for conversion grade products.

6 CONCLUSION OF WP3

In terms of in conversion grade products, both the OFS and retail interviews suggest there is very limited potential for these products. Generally they are perceived as confusing from a consumer viewpoint. However there are some limited market outlets, including intra farm sales and direct sales, particularly for fresh produce.

The market for organic products is perceived to have considerable potential. The fruit and vegetable sector is seen to have particular growth potential. There are significant barriers including lack of supply, seasonality and appearance issues. High premia are seen as one of the most important benefits for producers but equally are a major constraint on consumer demand.

Various marketing approaches or support measures are needed to assist realisation of the development of the sector. While quality policies for organic products have helped it raise its image, there is a view that the sector would benefit by the introduction of a national organic label. This would increase transparency and provide easier recognition for consumers.

In the future more farmers need to be encouraged to go into organics to realise the potential of the sector. The lack of a strong market for conversion grade products suggests the need to identify new ways of encouraging entry.

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APPENDICES

Appendix I Questionnaire of Organic Farmer Survey

Appendix II RI list of questions

Appendix III RI list of interviewees

Appendix I Questionnaire of Organic Farmer Survey



Teagasc
The National Food Centre
Dunsinea, Castleknock
Dublin 15
Tel 01 805 9500

May 2002

Dear Sir/Madam

Survey into market outlets for organic and in-conversion products

Currently, the National Food Centre is carrying out a three-year research project, funded by the European Commission, in association with four other European Union countries, to investigate barriers to conversion to organic farming. One of the main barriers to the further development of the organic sector is the lack of a market infrastructure specifically catering for organic farmers. However, in recent years there have been several encouraging new developments that have enabled organic farmers to increase their returns. Examples of these include ways of direct selling such as box schemes and farm shops.

As part of our project we are carrying out a survey of 1400 organic farmers in the UK and Ireland to see how they market their produce.

By taking part in our survey you will be helping policy-makers target support for the organic agricultural sector in a more appropriate way. Once our survey is complete we will be pleased to send you a summary report if you wish.

The objectives of this survey are to

- identify the different marketing channels for organic and in-conversion products and
- assess the costs and benefits associated with each marketing channel.

Our questionnaire seeks information about the volume, value and types of products that you sell from the farm and your attitudes to the different outlets you sell to. We are also interested to know about any problems that you have encountered in marketing your produce and the costs and benefits of different marketing channels. Naturally, your replies will be treated in the **strictest of confidence**.

Although some of the questions may look complex, once you have read the instructions we think you will agree they are actually quite simple to answer. We have also included examples for some questions for you to follow.

May we thank you in anticipation for taking part in this survey. A reply paid envelope is included for you to return the questionnaire. If you have any queries, please do not hesitate to contact Brendan Howlett on the above number.

Yours faithfully

Professor Alan Swinbank





The National Food Centre
Dunsinea
Castleknock
Dublin 15
Tel 01 805 9500

Survey into market outlets for organic & in-conversion products

part of a Europe-wide rural development project

Confidential

All information given will be treated in the strictest confidence. Many thanks for your help and co-operation

Data Protection Act

We respect your privacy and will always comply with data protection legislation currently in force in the EU.

In this questionnaire

Conventional means land which is not organic or in conversion to organic status.

Conversion means converting land from conventional to organic.

In-conversion means product that has come from land that has completed a conversion period of at least 12 months, from the last use of materials other than those permitted by the standards of the three Irish Organic Associations, to harvest.

Organic means approved organic status or certified land and the products thereof.

On-farm processed products means wine, cheese, sausages etc.

Premium means you receive a higher price for a product than you would expect if you were selling the same product from unconverted land.

Ecolabel means any label intended to convey that a product is preferable regarding either environmental protection, biodiversity and wildlife, farm animal welfare, social justice, local origin, or any other aspect of ecological and social sustainability.

About the farm

1 hectare = 2.47 acres.

1 What is the total area of the farm – including forest, buildings etc.?

 hectares

2 What is the total area farmed – excluding forest, buildings etc.?

 hectares

3 What is the total area currently certified as organic?

 hectares

4 What is the total area currently registered as in-conversion?

 hectares

5 Is your farm in a Less-Favoured Area?

No Yes Partially

6 Is your farm within 10 miles of a town or city?

No

Yes

7 When did you first start converting land for organic farming/growing?

Please give the year, or the number of years ago.

8 When do you expect all the land currently in conversion to complete certification as organic?

Please give the year, or number of years from now

9 Which certification body are you registered with?

Please tick all that apply.

Irish Organic Farmers' and Growers' Association

Demeter

Organic Trust

Soil Association Certification Ltd

Other please give details

10 Do you intend to put more land into conversion in the next five years?

No Yes Maybe

11 Under what arrangements do you farm?

Owned %

Rented %

Other please give details %

12 What is the legal status of your farm business?

Please tick the appropriate option.

Sole proprietorship

Company

Family partnership

Other partnership

Other please give details

13 Have you identified a successor for the farm yet?

No Yes Maybe

All information relates to the most recent complete financial year

14 What were your average livestock numbers in each of these categories?

	Organic	In-conversion	Conventional
Dairy cattle			
Beef cattle			
Sheep & goats			
Sows			
Finishing pigs			
Laying hens			
Table poultry			
Other <i>please give details</i>			

15 What was your total area cropped in each of these categories?

Give your figures in hectares.

	Organic	In-conversion	Conventional
Cereals			
Grassland/grazing			
Hay/silage			
Other cropping			
Permanent crops			
Horticulture			
Other <i>please give details</i>			

Farm labour details

16 Of your total working time, how much time do you and your partner spend working on the farm?

'Farming' includes administrative activities. 'Other farm-related tasks' include running a farm shop, etc.

	You	Your partner
Farming	%	%
Other farm-related tasks	%	%
Non-farming tasks	%	%
Total working time	%	%

17 What is the total number of permanent or regular workers on the farm?

Exclude yourself and casual or seasonal workers.

	Total numbers
Full-time year-round	
Part-time year-round	

Farm sales and income

18 What percentage of your total household income comes from the farm business?

 %

19 Approximately what were your total sales of agricultural products?

Exclude VAT or the income from subsidies, grants etc.

20 Approximately what percentage of your agricultural products come from

Organic		%
In-conversion		%
Conventional		%

About you

21 Are you

Male Female

22 How old are **You** **Your partner**

30 or below	<input type="checkbox"/>	<input type="checkbox"/>
31–40	<input type="checkbox"/>	<input type="checkbox"/>
41–50	<input type="checkbox"/>	<input type="checkbox"/>
51–60	<input type="checkbox"/>	<input type="checkbox"/>
over 60	<input type="checkbox"/>	<input type="checkbox"/>

23 How old were you when you left full-time education?

 years

24 How old was your partner when he or she left full-time education?

 years

25 What is the highest level of farming education achieved by you or your partner?

Tick the appropriate boxes.

	None	Informal	Technical or equivalent	Higher
General agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organic agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

26 Do you or your partner belong to any farming, regional or specialist food marketing organisations?

No

Yes which?

30 Which of these business arrangements do you

- currently have
- would prefer to have

with your customers? Please tick any that apply.

Business arrangement	Current	Preferred
Formal contract for all of a product	<input type="checkbox"/>	<input type="checkbox"/>
Formal contract for specified volume of a product	<input type="checkbox"/>	<input type="checkbox"/>
Informal agreement customer has no commitment to buy	<input type="checkbox"/>	<input type="checkbox"/>
Informal agreement on sale or return basis	<input type="checkbox"/>	<input type="checkbox"/>
Post-planting pre-harvest formal contract entire crop	<input type="checkbox"/>	<input type="checkbox"/>
Post-planting pre-harvest formal contract specified volume	<input type="checkbox"/>	<input type="checkbox"/>
No contract or agreement	<input type="checkbox"/>	<input type="checkbox"/>
Other arrangements please give details below		

31 Please tell us your most important outlet by product sector as illustrated in the example shown.

Product sector	Outlet
Example: Vegetables	Donnelly's Fruit & Vegetables
Example: Meat	Kepak
Fruit	
Vegetables	
Meat	
Milk	
Eggs	
Cereals (non-feed)	
Feed grains	
Fodder	
Processed products please give details	

Marketing of organic and in-conversion products

Aids to marketing

32 Which of the following approaches would most help your marketing?

Choose 3 and rank them (1 = most important).

Marketing approaches	organic	in-conversion
Information about marketing practices		
Information about available outlets		
Government support for producer marketing initiatives		
Government promotion of the organic sector		
Government support for processing ventures		
EU support for the organic sector		
National label for all organic products		
Consumer research		
Consumer education about organic agriculture		
Supermarket promotion of organic food		
Supermarket support for producers		
Farmer co-operation/marketing co-operatives		
Farmer support groups/networking		
Local retail outlets		
Year-round price stability		

Benefits of sales outlets

33 Which of the following benefits are most important to you when considering customer outlets?

Choose 3 and rank them (1 = most important).

Benefits	organic	in-conversion
Contact with other farmers and growers		
Face-to-face contact with consumers		
Minimal administration and documentation		
Exemption from trading standards		
Marketing assistance available		
Specialist label available		
Added value from on-farm grading and packing		
Highest premium obtainable		
Minimal extra labour required		
Year-round price stability offered		
Minimal transport costs		
Local outlet		
Small volume of product accepted		
Future security of outlet guaranteed		
Year round availability		

Attitudes to organic food and farming

37 Please tick below to show how much you agree or disagree with the following statements.

	Disagree			Neither agree nor disagree	Agree		
	strongly	on the whole	a little		a little	on the whole	strongly
Organic products look better than conventional products							
Consumers are prepared to pay a premium for all organic foods							
The flavour of products from organic farming is better than products from conventional farming							
The market potential for organic food is growing							
The quality of organic products is better than products from conventional farming							
There are enough processors of organic food							

Your contribution to our survey

38 Please use this space to give us any other information that you think is relevant to our survey of markets and marketing for organic producers.

39 Would you like us to send you a summary report of this survey?

No

Yes

Thank you for taking the time to complete this survey. Your answers will provide valuable information about the context of agricultural marketing of organic products. Please return the completed survey in the prepaid envelope provided.

Appendix II RI list of Interviewees

	Type of operator
1	National marketing organisation
2	National marketing organisation
3	Accreditation body
4	Accreditation body
5	Manufacturer-Processor
6	Processor
7	Processor-distributor
8	Processor
9	Processor-distributor
10	Manufacturer
11	Manufacturer
12	Processor
13	Producer
14	Co-op
15	Retailer
16	Producer-retailer-distributor
17	Wholesaler
18	Producer-Restaurant
19	Retailer

Appendix III Retail Interview List of Questions

1. What is your current quality policy for organic and conversion grade products? [*If no policy interview is discontinued*]
2. What are the main barriers to introducing and implementing this policy? [Barriers already overcome, currently faced and predicted].
3. What is your policy on premiums? Or for Institutions: What premium are you willing to pay now and in the future? {Price ranges should be recorded}.
4. In your opinion is the current EU labelling system for organic food products in Europe working to everyone's advantage? If not, why not? Is there scope for third party labelling?
5. What labelling do you think is appropriate for conversion grade food products? [ie. should environmental or social benefits be stressed or is corporate image more important?].
6. What is your knowledge, understanding or impressions of, and attitudes to, conversion grade food products and how do you see these fitting in with the growing 'environmentally friendly' sector of food products?
7. What is your perception of the future market for organic and conversion grade food products. Do you think the market is transitory or stable and how do you think the 'environmentally friendly' / sustainable sector will evolve?
8. What support do you need for marketing organic and conversion grade food products in terms of public funding and legislation /regulation?

9. Do you feel that organic and conventional products have approached /distanced one another in latter years through standards (environmental etc.), quality and image?

10. Do you feel that the success of in-conversion products in the consumer market could depend on the size of the perceived distance between organic and conventional products?