The Development and Prospects for the Organic Vegetable Market in the UK

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ABSTRACT

The vegetable market is one of the largest sectors within the UK organic food market. This market grew by 30% per annum in the late 1990s and early 2000s, although it is now slowing down to a rate of 10-15% per annum. This growth has been caused by a greater consumer awareness of food safety, health and environmental issues and has been further stimulated by the increased presence of the multiple retailers in the market. In contrast, the production of UK organic vegetables has been slower and constrained due to the time it takes growers to convert land to organic production, by lack of knowledge of organic systems and higher costs of conversion faced by many vegetable growers. However, by the year 2000, growers had responded to improved economic and policy incentives, and now the UK is 58% self sufficient in organic vegetables. In the future, market growth and the numbers of farmers converting are likely to be slower and any market growth will depend on broadening the customer base, expanding different market channels and increasing home production especially at the beginning and the end of the season, thus enabling a substitution of imports.

INTRODUCTION

The vegetable market is one of the largest sectors within the UK organic food market. It has been reported that much of this growing market was made up by imports; however, contact with organic growers in the 2001/02 season indicated that there was a more even balance of UK supply and demand since they were having difficulty in selling their produce. This lack of clarity of the market was causing uncertainty amongst growers who were considering conversion or expanding their production. This paper examines the growth in this market and the corresponding response of UK farmers and growers to this growing market.

This paper is based on results obtained from a DEFRA-funded project on the organic vegetable market, conducted from 2001-2003. It has also drawn from another DEFRA funded project ‘Conversion to Organic Field Vegetable Production’. That project monitored the agronomic and economic performance of ten farms, which converted to organic production during1996-2002.

MATERIALS AND METHODS

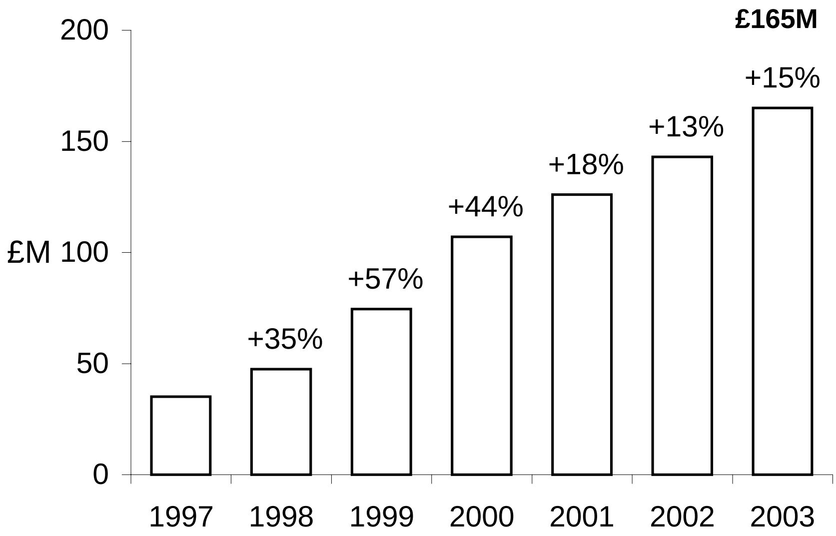
The overall aim of the DEFRA-funded organic vegetable market study was to provide detailed market information on the demand and supply of individual UK vegetable crops throughout the UK growing season. This information is used to clarify the supply and demand for individual vegetables and thus identify opportunities for UK growers to expand production and to facilitate the balanced growth of the market. The project was led and conducted by HDRA, in collaboration with the Soil Association, Elm Farm Research Centre and the Institute of Rural Studies, Aberystwyth. Data have been collected from UK packers and wholesalers of organic vegetables on the amounts, value and source of organic vegetables traded during the 2001/02 and the 2002/03 seasons. This was supplemented with data from the organic certification bodies on the area of organic vegetable crops grown in each season. All data has been cross-referenced with other published sources of information for the same seasons.

RESULTS AND DISCUSSION

In the 2002/03 season the total market for organic vegetables in the UK was estimated at 122,000 tonnes, with a retail value of £165M. Of this, 72,000 tonnes (58%) were grown in the UK. When measured by value (£) the level of UK self-sufficiency is 46%, with a retail value of £76M. The organic vegetable market represents 3% of the total market for all vegetables. By value, 73% of the vegetables were sold through multiple retailers, 14% through wholesalers, 11% sold directly and 4% sold to processing outlets. For a range of twenty-five organic vegetables, which can be grown commercially in the UK levels of self sufficiency, or market share, have risen to previously reported levels of 40% (Hamm *et al.*, 2000) to an average of 58% for all vegetables. This did result in the oversupply of some vegetables at certain times of the year in the 2001/02 marketing season. When considered on a crop by crop basis, however, there are large variations of market share, ranging from 96% for swedes to 36% for onions. For staple crops such as potatoes, carrots and cabbage the UK share is 68%.

During the late 1990s and early 2000s the growth of the organic vegetable market was very rapid. In the past six years the growth rate has averaged 30% per annum, although is now beginning to slow down to growth rates of 10-15% per annum.

Figure 1. Growth of the organic vegetable retail market in the UK, 1997-2003.



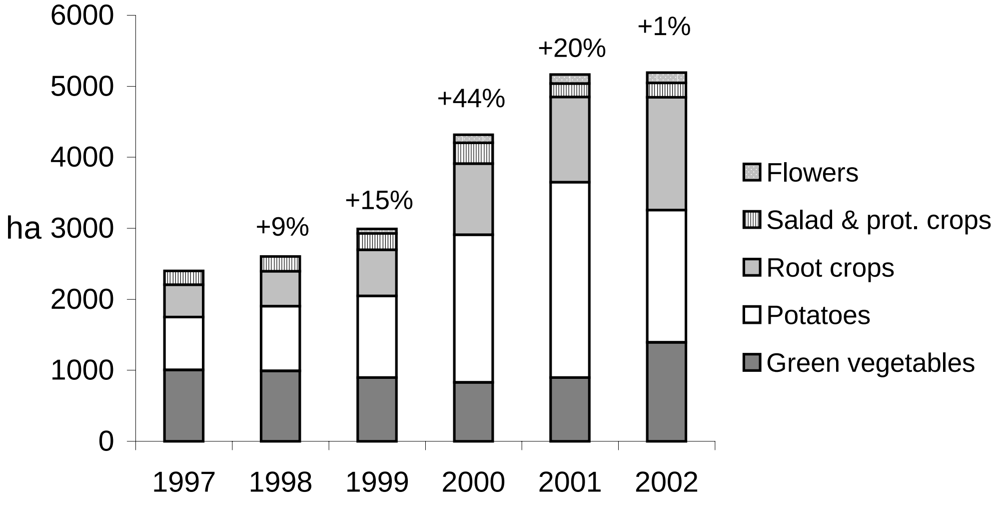
(%-increase relating to previous year, Source: HDRA and Organic Monitor, 2001)

The rapid growth in the organic vegetable market has been in parallel with the growth of the whole organic food market in the UK. This has been due to a number of factors, which have resulted in greater consumer awareness of food safety, health and environmental issues, and concerns about the use of Genetically Modified Organisms (GMOs) in conventional production. These have all caused more consumers to buy organic vegetables.

The stronger supermarket presence in the market towards the end of the 1990s also assisted market development. They have stimulated consumer demand and awareness by high profile advertising and by removing some of the supply side impediments to growth of the market, which included inconsistent supplies and quality (Organic Monitor, 2001). The supermarkets and their suppliers, the pre-packers, now dominate the organic vegetable market.

Despite rapid growth in the demand for organic vegetables, there has been a relatively slower and delayed increase in UK supply (Figure 2). A large proportion of the increased demand was initially met by imports, reported as meeting 60% of the UK market for vegetables in 2000 (Hamm *et al*., 2002) or as high as 85% when combined with fruit (Soil Association, 2002). The initial slow response in the increase in UK supply during 1998/99 can partly be explained by the two-year conversion period, which is required before organic production can begin, thus delaying growers' ability to respond rapidly to meet changes in demand. Other constraints to growers converting to organic vegetable production were the unfamiliarity with, and lack of, published knowledge on organic production systems. These included uncertainty of how they would control weeds, pests and diseases. There are also higher 'costs of conversion' that vegetable growers have to incur, in comparison with conversions to other organic farming systems. These costs are mainly related to the need to take land out of production during the conversion phase and the subsequent loss in income during this period. The more intensive the production system is, the higher the conversion costs are likely to be (HDRA, 2000).

Figure 2. UK area of organic vegetables and flowers 1997-2002.



Source: Soil Association (2003).

Until the mid 1990s much of the UK organic produce had been supplied from smaller farms, often not located in conventional vegetable producing regions. The rapid increase in the area of organic vegetables experienced from 1999 to 2001 (Figure 2), was closely linked to the fact that in April 1999 the UK government increased the payments available for organic conversion. The increase from £250/ha to £450/ha acted as an incentive to conversions. In addition, the supermarkets were pressing the growers, who supplied them conventionally, to convert and supply them with organic produce. In the late 1990s there were high ‘price premiums’, over those paid for conventional produce, available for organic produce, enabling good financial returns to be obtained by organic vegetable growers (HDRA, 2000). This coupled with low prices and returns in the conventional sector further stimulated growers to convert to organic production. In the late 1990s this resulted in a wave of new conversions from large-scale conventional vegetable producers.

FUTURE DEVELOPMENT

In future, the market is expected to grow at a slower rate than the past five years, predicted by marketers (personal communication) at between 10-15% per annum. A wide range of factors, including changing consumer trends, level of disposable incomes, occurrence of food scares and government policy will determine the future growth of the market. Presently, the organic market is dominated by a core 8% group of ‘committed’ consumers who account for 60% of the market, the remaining 92% of organic consumers, ‘the dabblers,’ buy on a less frequent basis and account for 40% of the market (Soil Association, 2002). For the market to grow the challenge is, firstly to encourage the ‘committed’ to spend more, and secondly to convert the ‘dabblers’ to become more frequent buyers of organic food. Additionally, there are new opportunities for growers to supply catering and institutional outlets, to expand into the chilled and prepared sector and to increase focus on regional and local foods, all which have potential to grow (Firth *et al.*, 2003). The Food and Farming Report of the Policy Commission on the Future of Food and Farming in the UK is favourable to the development of organic farming, with its recommendation for a strategic plan for organic farming (Crown, 2002). The Government’s Organic Action Plan (DEFRA, 2002) has begun to take some of these issues forward; notably in seeking to develop the domestic supply to match levels, which are achieved in the conventional sector. Increased UK production is likely to come from existing farmers expanding production, especially at the beginning and end of the season.

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