

The market potential for in-conversion organic products in Ireland



THE MARKET POTENTIAL FOR
IN-CONVERSION ORGANIC
PRODUCTS IN IRELAND

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SUMMARY

This report deals with the market for and financial feasibility of converting from conventional to organic food production in Ireland. All members of the organic supply chain were included in the study *i.e.* farmers, intermediaries, retailers and consumers, to examine the potential of a market for conversion grade produce. Conversion products are those produced in the second year of the conversion phase from conventional to organic farming. Products do not attain full organic status until this is completed.

The main results and conclusions were:

- The Irish organic food market is relatively small and is currently estimated to be worth in the region of €30 million. This is a developing market with expected growth in the region of 10 per cent over the coming years. The market for in-conversion products is not developed to any great extent in Ireland; however Irish consumers have a positive perception of organic food.
- Meat was the most common organic product followed by vegetables and fruit, with premia varying from product to product during the conversion period. The box scheme/home delivery service was used mainly to distribute conversion fruit and vegetables while conversion meat was sold to other farms and cereals to organic grain merchants.
- Organic fruit and vegetables were distributed through farmers' markets, with organic meat and milk mainly sold to processors or slaughterhouses. Organic cereals were chiefly sold to grain merchants.
- With regard to business arrangements, the majority of farmers claimed that they had no contract or formal arrangement. The preferred arrangement, however, was to have a formal contract.
- According to farmers, government promotion of the organic sector was of

most help in their marketing efforts. This was followed by EU support for the sector and information regarding potential outlets for organic food.

- Better prices and greater earnings were the motivating factors for farmers considering the switch to organic food products. While price premia were reported to decline during the conversion period, an increase in premia was reported once full certification was received.
- Analysis of farmer and budget data of case study farmers considering conversion found that, during conversion, a decline of four per cent in Family Farm Income (FFI) resulted on dairy farms. However, when fully organic, FFI increased by 5% over the conventional margin. Tillage farms experienced an 11% decline in FFI to €721 per ha during conversion but this increased to €1003 per ha for organic production, an increase of 24%. The FFI on meat farms increased by 38% (to €360 per ha) during the conversion phase but only by 33% (€346 per ha) for full organic production. This was related to lower output and organic grant payments in the organic phase and higher overhead costs due to the level of investment required on livestock farms.
- The financial projections were recalculated following analysis of the premia data gathered from the assessment of marketing channels and interviews with intermediaries. The data show increased margins in all cases. FFI for all meat farms in conversion increased by €26/ha whilst the organic margin increased by €29/ha. For conversion and organic dairy farms, FFI increased by €105/ha and €21/ha respectively. It also increased on cereal farms, with FFI on in-conversion tillage farms increasing by €99/ha and by €74/ha on organic farms
- Farmers in the process of converting felt that ethical considerations *i.e.* animal welfare and improved environment, were the greatest benefits of conversion although higher prices and income were also important. Issues such as lack of funding, greater demand on labour, bureaucracy, market uncertainty and winter housing were seen as significant barriers.

Farmers stated that greater incentives, *e.g.* financial and regulatory changes, to convert to organic are needed if more farmers are to switch.

- Supply chain informants felt that a market for in-conversion produce did not exist and would be confusing to consumers although some potential markets may be developed through direct sales. Barriers to development of the organic sector included a lack of Irish supplies, large levels of bureaucracy and insufficient communication through the supply chain. Recognition of the Irish organic logos was also low among Irish consumers and there was a need for greater levels of awareness among this group. Thus, increased marketing of organic food was essential.
- The term conversion was new to consumers, although they would buy such products if they were cheaper and an organic option was unavailable. Organic food satisfies consumer needs for quality and safe, healthy food; consumers thus purchased organic food for these motives. While organic was perceived to taste better than conventional produce, price was the main barrier to purchase, with other barriers including availability, quality and origin.
- Organic purchases were made regularly by 22% of the consumer survey sample with 46% doing so sometimes. Purchases were made mostly from supermarkets but also from direct sales with farmers. A large number (715) indicated they would buy more organic in the future although barriers do exist. Many respondents would also buy conversion products if available in food stores and the majority would pay a price premium.
- Efforts to develop the sector should focus on full status organic products rather than on developing a market for in-conversion products. Increased focus should be given to educating both consumers and farmers on the organic sector. Limited opportunities for conversion sales do however exist via direct sales and farmers' markets.

INTRODUCTION

Organic food is experiencing high levels of growth on a worldwide scale as consumer awareness of and demand for organic food increases. Food scares have given rise to greater consumer demand for products that are produced in a natural environment *i.e.* free from pesticides, chemicals and genetic modification. Consumers are now more conscious of what they eat and how it will affect the environment and this influences their product choices. Conventional agricultural methods are also coming under increasing scrutiny for being over-intensive and highly-dependent on inputs. However, the Irish organic market has been slow to develop, with a limited uptake in organic production from farmers. The 2-year conversion period, together with significant costs associated with converting, has turned many farmers off switching to organic production.

OBJECTIVES

The objectives of this project were to examine the potential of a market for in-conversion grade organic products. Specifically, the project aimed to provide greater insight to the period of conversion from conventional agriculture to farming organically. Recommendations are made on how best to develop the organic sector in Ireland and any potential market for in-conversion produce.

METHODS

The project was carried out in a number of stages to assess the organic and conversion markets in Ireland. These included a market review, farm case studies, a survey of organic farmers' marketing channels, consumer focus groups and survey together with an industry workshop.

Market Review

An initial market review was carried out. This involved collecting available published and unpublished data pertaining to the organic sector. A review of production levels for different types of farms with reference to volume, rate of conversion and support mechanisms was collected. Market data, where available, were also compiled. In addition, studies on consumer attitudes to organic products were reviewed.

Farm Case Studies

A total of twenty-seven farm case studies were carried out. In-depth interviews with the farmers identified the beliefs, attitudes and motivation of farmers that have shown an interest in converting to organic production. A financial analysis of economic costs and benefits of conversion was conducted using a combination of budget data and data supplied by the farmers.

Marketing Channels

The marketing channels for conversion-grade products were examined in an organic farmer survey and interviews with retailers and intermediaries. Farmer opinion on marketing issues was ascertained in the postal survey form sent to 800 registered organic farmers. A valid response rate of 27% was achieved. Depth interviews were completed with a purposive sample of 20 respondents, including organic food retailers, distributors and marketing organisations. During the interviews, respondents were asked about the costs and problems associated with the procurement of organic products, price premia for organic products in different markets and the potential for the marketing of conversion-grade products.

Consumer Opinion

Consumer focus groups and a consumer survey were also conducted to uncover consumer opinion of the organic sector.

One focus group was conducted in Cork and three in Dublin. The use of organic food from various organic food categories was used to aid discussion.

Focus groups were divided into two categories: dedicated organic buyers and conditional organic buyers. One group was male and the other three groups were female, with age categories ranging from 25 to 39 and 40 to 65.

The aim of the consumer survey was to assess consumer willingness to purchase conversion-grade products, the price premia, if any, they would be willing to pay, their beliefs and attitudes regarding conversion-grade products and perceived barriers to the purchase of conversion-grade products. Some 500 consumers completed survey forms.

Farm Case Study Revisited

The penultimate stage of the report returned to the farm case studies and examined the financial feasibility of converting to organic production. More accurate financial projections for both the in-conversion and organic production process were calculated using improved financial information. A postal and/or telephone survey of each the twenty-seven case study farmers who had completed a financial evaluation exercise was also undertaken. The financial exercise was completed to assist them in deciding if they wished to convert to organic farming. They were then sent a follow-up questionnaire which was returned by twenty-five farmers. The objectives of the questionnaire were to determine if the respondents had converted to organic farming, to ascertain the main factors that influenced their decision and to understand why some farmers choose not to convert to organic farming.

Workshop

The project concluded with a one-day workshop involving policy-makers, representatives of agricultural producers, food manufacturers, food retailers and consumer groups. All participants were sent a summary of the then current results of the study prior to the workshop. The workshop discussions were recorded to help further analysis.

MAIN FINDINGS

Market Review

The Irish organic food market is relatively small and is currently estimated to be worth in the region of €30 million. However it is a developing market with growth in the region of 10 per cent expected over the coming years. The main expected growth areas over the next three years are beef, vegetables and lamb. It is estimated that there are approximately 32,000 hectares currently being farmed organically by 1,000 registered producers, with 60% of this fully organic and the remainder in-conversion. The majority of organic farms tend to be located in the west and south west of Ireland.

The main reasons for converting to organic production include increased profitability, less-intensive farming, environmentally-friendly production and higher quality food. Barriers to conversion include difficulties in sourcing supplies (approx. 70% of produce is imported), a lack of information and insufficient development of the supply chain *i.e.* underdevelopment of the processing sector. In general, Irish consumers have a positive perception of organic food but many find the cost expensive. Premia vary between products and this may act as a barrier to consumers in purchasing organic products.

The market for in-conversion products is not developed to any great extent in Ireland. While a small number of in-conversion products are sold as in-conversion and sold in the major retail chains, these products tend to be imported. This market is estimated to be worth approximately €130,000.

Farm Case Studies

Twenty-seven farmers considering conversion to organic production were interviewed. They included nineteen meat, four dairy and four tillage farmers. The process of converting meant a number of changes from conventional farming methods *e.g.* reduced fertiliser use, reduced veterinary involvement and application of fewer chemicals. Farmers were motivated to switch to organic production by better income and prices. A number of barriers to organics also

existed for these farmers including difficulties in disease control and sickness, lack of market outlets and inadequate marketing of organic products.

The analysis of farmer and budget data found that, during conversion, a decline of four per cent in Family Farm Income (FFI) resulted on dairy farms. However, when fully organic, FFI increased by 5% over the conventional margin due to a 20% premium in milk price, the organic REPS payment of €242 per ha and lower direct costs of production. Tillage farms experienced an 11% decline in FFI to €721 per ha during conversion. However, this increased to €1003 per ha for organic production, an increase of 24%, due to a twenty-five per cent premium on organic cereal prices combined with organic REPS payments and reduced direct production costs. The FFI on meat farms increased by 38% (to €360 per ha) during the conversion phase, but only by 33% (€346 per ha) for full organic production.

Overall, farmers agreed that converting to organic farming would improve the environment, be beneficial for animal welfare, provide good marketing opportunities and create products of better quality compared to traditional farm products. However, FFI was expected to decrease during the conversion period for most commodities except meat (mainly because this commodity was sold as conventional).

Marketing Channels

The analysis of organic farmer survey data found that while in conversion, cereals were the most commonly sold as in-conversion followed by fruit and vegetables (see Table 1). Fodder and meat were most likely to be sold as conventional produce during this period.

Premia received by farmers during the in-conversion period varied from product to product. Meat products and cereals commanded the highest premia of up to 100 percent but farmers did not provide details of premia received for in-conversion fruit and fodder.

Premia received for organic products varied, with a range of between 5 and

120 percent. Cereals commanded the highest premia (up to 120 percent) while some organic vegetables received premia as low as 5 percent.

Table 1: Marketing of in-conversion products as in-conversion or conventional during the last year of the in-conversion phase.

	Fruit	Veg	Meat	Milk	Eggs	Cereal	Fodder	On-farm products
No. who sold some or all produce as conventional	2	13	136	3	8	2	6	1
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	8	12	0	6	2	3	2
No. who used produce on their own farm	3	6	0	1	1	3	2	1
Total no. of producers	14	39	182	5	17	15	12	5

Many farmers failed to disclose how they marketed their in-conversion grade produce, hence findings can only be interpreted as indicative rather than 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 (see Table 2). The same number of vegetable farmers used the box scheme as their own farm shop but a smaller quantity was sold in this manner. Conversion grade meat was most commonly sold (as livestock) on to other farms (33%) 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 farmers' markets.

Table 2: Number and average percentage of producers selling 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
Total Interviewees	14	39	182	5	17	15	12	5
No. who disclosed info. on in-conversion	4	12	34	1	2	8	1	1
	%	%	%	%	%	%	%	%
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/ slaughterhouse	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

Table 3: Numbers of producers and average percentage of organic producers selling through each marketing channel for each product

	Fruit	Veg	Meat	Milk	Eggs	Cereal	Fodder	On-farm processed products
Total interviewees	14	39	182	5	17	15	12	5
No. who disclosed channels	13	35	154	5	14	13	10	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/ slaughterhouse	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
Supermarket	0	8	0	16	2	0	0	0
Retail shop	5	5	0	0	13	0	0	2
Organic 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

In the case of organic products, the farmers' market was the most commonly-used channel for the distribution of fruit, vegetables, eggs and on-farm processed products (see Table 3). The majority of cereal producers (61%) sold their produce to grain merchants while the single most important outlet for milk and meat sales was the food processor or 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 were also an important outlet for organic milk, while other farms (including sale of livestock) was important for meat (28% of producers representing 23% sales). Thus, as farmers attain organic status, greater usage of indirect sales channels occurs.

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

Government promotion of the organic sector was seen as of most help to farmers in their marketing efforts as identified in Table 4 below. This was followed by EU support for the sector and information regarding potential outlets for organic food. The results differed for in-conversion produce with co-operation among farmers being the most influential factor although local retail outlets and consumer education were also influential.

In general, farmers had a positive perception of organic produce. Flavour and quality of organic produce were perceived to be better than those of conventional produce. Farmers had a positive outlook on the market potential for organic produce, especially as a consequence of government and EU support. 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.

Table 4: Marketing approaches organic farmers found helpful

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

The interviews with retailers and other intermediaries established that a major barrier to conversion is insufficiency of Irish organic supplies. In the majority of cases, manufacturers and processors were forced to import

because it was very difficult to source Irish supplies. Other barriers cited by respondents were the amount of paperwork and bureaucracy involved.

Price premia for organic produce varied according to product category, time of year and stage in the food supply chain. Price premia ranged between ten and two hundred percent. Poultry and pig meat commanded the highest price premia (up to two hundred percent). Price premia for meat fluctuated depending on time of year. According to some intermediaries, price premia for locally-grown fresh produce were low compared to premia for further processed products. No clear views emerged on price premia for conversion-grade products. However conversion-grade dairy products do not command any extra premium unless sold through direct sales.

Intermediaries are generally satisfied with the current EU labelling system. However, 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. Many intermediaries would welcome a generic national label for the marketing of organic foods at home and abroad. This supported earlier recommendations of the Organic Development Committee to devise a national label for Irish organic produce. However efforts to develop such a label have been reconsidered due to the costs and lack of support from all stakeholders.

In terms of conversion produce, the vast majority of those interviewed did not believe that a market existed for this material, even when labelled accordingly. Such a marketing approach was viewed to be confusing from a consumer viewpoint. The common view was that there is enough confusion among consumers already with the different product types such as free-range, natural foods & organic and that in-conversion would further add to such confusion. However, a small percentage of intermediaries felt that a market could be developed for conversion-grade products. In most cases this market would be

for fresh produce in-conversion. The most suitable markets for such produce are home sales and farmers' markets through direct sales.

A large number of intermediaries expected growth in the organic market linked with an increase in consumer awareness. There is, however, 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 assistance from the support agencies is essential for the further development of the organic sector. Thus, for example, the role of Bord Bia in heading up campaigns to create consumer awareness was frequently stated. Some respondents suggested that supermarkets have a role to play in support of the marketing of conversion-grade and organic foods.

Respondents also felt that a significant gap continues to exist between organic and conventional food products in terms of 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 but has yet to reach quality standards similar to those of conventional products.

Consumer Opinion

Focus Groups

Respondents of the groups felt that organic products can satisfy consumer needs for quality, safety and health. Secondly, but mentioned by many fewer consumers, organics are seen as offering sustainable production and being environmentally-friendly with less usage of pesticides and fertilisers. Safety, health and care for children were the strongest motives to purchase organic food according to consumers.

Consumers perceived that organic food tasted better than conventional. However, price was the main barrier to purchase with other barriers including origin, packaging, availability and quality. Consumers wanted national labels or labels from certified bodies rather than an EU label which was unknown to

the majority at the time of the study. From the availability viewpoint, they feel there is a lack of information about organic produce and a need for promotional campaigns. Quality concerns include freshness, nutritional content and visual appeal.

Conversion was a new term to consumers and they had no perceptions of conversion products. Generally, there was a lack of knowledge among consumers about conversion products including uncertainty about their safety. However, they agreed that producers moving to organic agriculture should be supported. Conversion was not seen as a good name whereas fair trade product had a favourable image. A number felt they would buy such products particularly if they were cheaper and organic product was unavailable. It was concluded that conversion-grade products would be an alternative for some consumers who believe that organic products are too expensive and are not available. However, conversion products would bring about an increase in confusion and misinformation in the market.

Consumer Survey

Twenty-two percent of Irish consumers (sample of 500) regularly purchased organic food products while 46% did so at least sometimes. Consumers appear to overestimate how much they spend on organic food, as the market is valued at about 0.5 % of the total food market. Confusion with free-range products may partly explain the overstatement.

The supermarket and direct sales from farmers were the most popular locations for purchase of organic products. Some 71% indicated that they intended to buy more organic products, with a little over 23% intending to buy the same volumes as they currently do. Price (mentioned by 52%) and availability (21%) were the most important factors that deterred Irish consumers from buying more organic products. A lack of trust in certification and quality issues was mentioned by 5% and 6% respectively.

Ninety-four percent of Irish respondents indicated that they would be willing

to buy conversion-grade products if they were available in food stores. Three-quarters of this group felt they would also pay a premium for these in-conversion products. However, the main reasons for their lack of interest in conversion-grade products was a preference for organic products (42%). Quality and use of home-grown produce were both mentioned by 11%. Other responses included a 'lack of belief in the concept' (5%).

Farm Case Study Revisited

More accurate financial projections for both in-conversion and organic production and the financial feasibility of converting to organic production were completed. These were calculated following analysis of the premia data gathered from the assessment of marketing channels and interviews with intermediaries.

The effect of applying the price premia on FFI are shown in Table 5 with previous estimated FFI also shown in brackets.

Table 5: Family Farm Income (euro) under the three scenarios - Feasibility

Farm type	Size	Family Farm Income per hectare		
		Conventional	Conversion	Organic
Meat	Small	230	379 (364)	336 (314)
Meat	Medium	297	399 (373)	440 (409)
Meat	Large	257	355 (344)	337 (316)
Meat	All	261	386 (360)	375 (346)
Dairy	All	454	588* (483)	496 (475)
Cereals	All	808	820 (721)	1077 (1003)

Figures in parentheses from FFI estimates in initial analysis. * Based on small number of observations

The data show increased margins in all cases. Family Farm Income for all meat farms in conversion increased by €26/ha due to applying the 10% price premium on in-conversion meat found in the study of the marketing channels whilst the organic margin increased by €29/ha due to organic premium increasing from 20% to 33%. Family Farm Income for conversion and organic dairy farms increased by a further €105/ha and €21/ha respectively due to increased price premia. Family Farm Income on cereal farms also increased with FFI on in-conversion tillage farms increasing by €99/ha and by €74/ha on organic farms (Table 6).

Table 6: Change in Farm Family Income (FFI) resulting from marketing channel adjustments

	FFI - €/ha	
	In-Conversion	Organic
Meat	+26	+29
Dairy	+105	+21
Cereals	+99	+74

Of those who responded to the survey, 18 were meat farmers, four were tillage farmers and the remaining three were dairy farmers. They were further divided between those farmers who have converted to organic farming, farmers still considering converting to organic farming and farmers who had decided not to convert to organic farming.

While the results from the survey have to be interpreted with care, due to the small sample size, some valuable insights can be gathered. These highlight some genuine and unfounded concerns of farmers that need to be addressed by policy makers in developing the organic sector.

While only two farmers have committed to organic farming, it is interesting to note that both appear to share a common belief system. They both concluded that organic farming not only provides personal satisfaction but also provides benefits to society and the environment. This suggests that farmers who share these belief and value systems may be pre-disposed to adopting organic farming. Interestingly, the in-conversion farmers also reported that the main benefit from conversion was not financial gain but greater job satisfaction and an increased sense of purpose from their personal contribution to the environment.

All respondents perceived a number of barriers to conversion including concerns on the sustainability of the market (achieving adequate price returns and a continuing demand for organic produce), funding of necessary investment and coping with unnecessary bureaucracy. There is also a general concern among those who had decided not to convert that the provision of compliant winter housing for an organic enterprise would require substantial investment. This appears to be a legitimate concern as the year two in-conversion farmer has already invested a considerable amount in converting sheds.

Concerns over organic price premia may also be legitimate as the one in-conversion farmer, while achieving a premium on his in-conversion ewes, was not getting any premia on either his lambs or cattle, despite having also paid a premium on stock purchases.

There were different views on the volume of labour needed to undertake organic farming. Respondents believed that a high level of labour inputs is needed to farm organically. However, those farming in-conversion suggested they use less labour because of lower stock numbers and not having to spread fertiliser or dose animals.

Workshop

Generally, participants at the workshop agreed that efforts to develop the

sector should concentrate on the organic market rather than the market for conversion products. Programmes should focus on educating consumers and farmers about organics in particular. Education should focus on benefits of organic farming and health benefits for the consumer of eating organic food. As the conversion market is very small, the best approach to market these products is direct sales and farmers' markets. The market may grow as a result of growth in the organic market.

Participants considered the estimates on profitability reasonable. In certain cases however, there may be a need to look at data again and consider specific farms or farm types. Some farmers may be in conversion for the wrong reasons and are likely to exit again once REPS payments cease. Generally, participants felt the whole idea of farming environmentally was a problem as it costs more. Premia expected were seen as reasonable and in some cases expected premia were less than farmers were getting, in particular for cereals.

To encourage entrants, financial support for in-conversion farmers should be increased. This is particularly the case for horticultural producers.

CONCLUSIONS

The organic market in Ireland is relatively small and the conversion consumer market almost non-existent. Thus it is felt there is no long-term market for conversion products and efforts to develop the sector should concentrate on organic products and focus on educating consumers and farmers about organics. The market for organic produce is seen to have growth potential.

The financial analysis shows higher than conventional family farm incomes (FFIs) for both the conversion and fully organic phases. However, a number of barriers to organic farming do exist throughout the supply chain. They include a lack of supply of organic product, low recognition of symbols, high prices and a lack of communication through the supply chain. Benefits were

also mentioned, which included higher prices and better incomes, but the main benefits were better animal welfare, better quality food, and an improved environment.

Consumers perceived that organic food tasted better than conventional while motives for buying organic were safety, health and care about children. It was concluded that conversion-grade products would be an alternative for some consumers who believe that organic products are too expensive and are not available. However, conversion products would bring about an increase of confusion and misinformation in the market.

Farmers generally think more incentives are needed if more conversion is to occur. The main incentives identified included more financial support either for capital investment or as direct payment and they also saw a need for more price support. However, greater consumer education, more government or EU promotion and quality standards were also highlighted.

RECOMMENDATIONS

Although consumers are more positive about conversion products than intermediaries, the market for conversion is limited; thus efforts to develop the sector should be concentrated on the fully organic sector. However, farmers with conversion products should where possible use direct sales for conversion products as some premia may be attained. Ways of allowing producers and the trade to formalise business arrangements need to be put in place. These could include contracts for agreed amounts and prices.

Resources to develop the organic sector should be concentrated in reducing barriers and providing incentives. The barriers for farmer entry and consumer purchase can be reduced in a number of ways:

- Making farmers aware of financial and personal rewards of organic farming.

- Provision of marketing information so that available supplies can be coordinated.
- Increasing consumer awareness and education on the benefits of organic farming and health benefits for the consumer of eating organic food. In this regard, the need to create consumer recognition of symbols is very important.
- Provision of technical support, setting up discussion groups and visits to demonstration farms.
- Research into a better understanding of cost drivers so those farmers can minimise their cost disadvantage.
- Incentives for farmers and processors could include financial support by way of capital grants for producers and processors together with direct payments for conversion farmers.

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