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Canolfan Organig Cymru
Organic Centre Wales

Welsh Organic Production and Market Report 2008

Simon Moakes and Nicolas Lampkin

Institute of Biological, Environmental and Rural Sciences



January 2009

Cronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig:
Ewrop yn Buddsoddi mewn Ardaloedd Gwledig



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While every effort has been made to ensure the accuracy of the results presented in this report, responsibility for any errors rests with the authors and feedback is always welcome! However, the quantification of the scale of the Welsh organic sector is still an imprecise art and there significant margins for error, which we will be working to improve in future publications.

Crynodeb

Cynhaliwyd arolwg cynhyrchu a marchnad organig Cymru 2008 yn ystod mis Hydref a mis Tachwedd 2008. Dosbarthwyd cyfanswm o 678 o arolygon organig gyda 410 o gynhyrchwyr yn ymateb – cyfradd ddychwelyd o 60%. Anfonwyd yr arolwg o gynhyrchwyr newydd sy'n troi'n organig at 262 o gynhyrchwyr, gyda 173 yn ymateb – cyfradd ymateb o 66%.

Mae sector organig Cymru'n parhau i dyfu gyda data'r arolwg yn cadarnhau bod dros 110,000 ha o arwynebedd tir Cymru o dan reolaeth organig yn 2008 (8% o dir amaethyddol Cymru), cynnydd sylweddol er 2006 oherwydd y galw cryf yn y farchnad ac ail-lansio'r Cynllun Ffermio Organig. Mae Tabl A yn amlygu'r cynnydd yn nifer y daliadau ardystiedig organig, arwynebedd tir a da byw a gynhyrchir yng Nghymru.

Tabl A Niferoedd, arwynebedd ac allbwn cynhyrchwyr organig Cymru'n ôl y fenter, 2007 a 2008

Menter	Ymatebion l'r arolwg			Cyfradd ymateb (%)	Daliadau	Amcangyfrifon 2008 (o ddata'r arolwg)			Ardystiedig 2007 (Defra, 2008)			
	Daliadau	Nifer/arwynebedd(ha)				Daliadau	Nifer/arwynebedd(ha)		Daliadau	Nifer/arwynebedd(ha)	% Amaeth Cymru	
		Organig	Yn troi	Cyfanswm			Organig	Yn troi	Cyfanswm			
Buchod eidion		5871	2507	8378			8000	3800	11800			
Eidion stôr	342	10348	2418	12766	74%	479	14100	3450	17550	334	8985	4%
Eidion gorffenedig		4799	285	5084			6500	400	6900		8500	
Mamogiaid		81253	48949	130202			105000	65000	170000		179122	4%
Ŵyn stôr	366	47907	16175	64082	78%	500	61000	19600	80600	306		
Ŵyn gorffenedig		49471	18525	67996			63600	24000	87600		185762	
Buchod llaeth		8770	657	9427			10000	1200	11200		11069	4%
Llaeth (MI)	75	66	5	70	89%	87	74	6	79	76	61	
Moch	12	15	10	25	50%	22	30	15	45	14	82	3%
Ieir dodwy		41370	206	41576			46000	850	46850		28102	2%
Wyau (k dwsin)	27	830	0	830	53%	50	900	0	900	47	656	
Porthiant		42134	19568	61703			70000	30000	100000		78976	6%
Âr	71	6042	1657	7699	46%	150	10000	2500	12500	138	15361	10%
Garddwriaeth	38	227	30	257	21%	138	400	50	450	118	322	27%
Cyfanswm n/ha	583	48403	21255	69658	1	1000	80400	32550	112950	857	94659	6%

Noder: Mae'r amcangyfrifon yn deillio o'r canlyniadau a gyflwynir yn yr arolwg. Mae cyfanswm niferoedd y daliadau'n uwch na chyfanswm y mentrau unigol. Mae hyn oherwydd bod mwy nag un fenter i bob daliad.

Mae data marchnad yn dangos bod manwerthiant organig 2008 ar gyfer cig a llaeth yn debyg iawn neu tua'r un fath â lefelau 2007 gyda'r gostyngiad yn y gwerthiant organig yr adroddwyd amdano hefyd yn effeithio ar y marchnadoedd confensiynol. Roedd patrymau'r gwerthiant yn debyg iawn i 2007, gyda gostyngiad o 25% rhwng mis Mawrth a mis Gorffennaf a gwerthiant organig yn ymadfer wedyn yn gynt na'r gwerthiant confensiynol. Parhaodd prisiau organig yn gryf yn ystod 2008, gyda phrisiau ar lefelau 2007 neu'n uwch a gwerthiant organig wrth giât y fferm yng Nghymru yn agos i £40 miliwn (gweler Tabl B, isod). Fodd bynnag, oherwydd y cynnydd cryf mewn prisiau confensiynol, roedd premiymau prisiau organig ar gyfer cig eidion ac oen yn isel neu'n ddim byd.

Tabl B Allbwn, gwerthiant organig a gwerthiant Cymru, prisiau a chyfanswm gwerthiant wrth giât y fferm a amcangyfrif ar gyfer cynhyrchu organig Cymru 2008.

	Cyfanswm allbwn a amcangyfrifir	Ei werthu'n org	Ei werthu yng Nghymru	Pris wrth giat y fferm £ y	Cyfanswm a amcangyf. £ miliwn
Cig eidion	1725 t ayb	94%	92%	3.30 kg ayb	5.7
Cig oen	2263 t ayb	73%	96%	3.31 kg ayb	7.5
Llaeth	74 Mlitr	93%	99%	0.33 litr	24.1
Wyau	900 kdwsin	>95%	100%	2.34 dwsin	2.1
Cyfanswm		86%	97%		39.4

Noder: Mae'r amcangyfrifon yn deillio o'r canlyniadau a gyflwynir yn yr adroddiad. Mae'r cig oen a gynhyrchir yn cynnwys ŵyn stôr sy'n cael eu pesgi ar hyn o bryd.

Bu canran y cynnyrch organig a werthwyd yn organig yn uchel ym mhob sector. gyda cholledion y farchnad gig eidion gorffenedig i'r marchnadoedd confensiynol yn isel ar 6%, a chyda'r farchnad cig oen gorffenedig yn dangos colledion oddeutu 27%. Gellir priodoli peth o'r gwerthiant anorganig i gynhyrchwyr sydd wrthi'n troi, ond roedd gwerthiant anorganig oherwydd diffyg marchnad yn uwch, yn rhannol oherwydd y cynnydd sylweddol ym mhris da byw confensiynol i bris sy'n debyg i'r prisiau organig yn 2007 neu'n uwch. Ni welodd sectorau eraill ond y gwerthiant lleiaf i'r marchnadoedd confensiynol.

Nid oedd y sectorau eidion a defaid mor optimistaidd yn 2008, er bod prisiau eidion organig yn debyg i 2007 a phrisiau oen organig oddeutu 20% yn uwch. Roedd y cynhyrchwyr yn anhapus bod prisiau confensiynol wedi codi'n gynt na'r rhai organig, a olygai fod premiymau'n is. Roedd sectorau eraill yn fwy optimistaidd, gyda thros hanner y cynhyrchwyr organig yn bwriadu parhau i gynhyrchu'n organig heb newid a 2% yn unig yn ystyried troi'n ôl at amaethyddiaeth gonfensiynol, i lawr o 4% yn 2007.

Er bod prisiau porthiant organig yn sylweddol uwch na phorthiant confensiynol ac yn achos pryder difrifol i gynhyrchwyr, nid ydynt yn ymarferol i'w gweld yn cael effaith arwyddocaol ar gostau cynhyrchu'n gyffredinol gyda'r data diweddaraf yn dangos bod llawer o ffermydd da byw organig wedi lleihau eu defnydd wrth ymateb i brisiau uwch. Gyda llawer o gynhyrchwyr â'r organig y DU ar hyn o bryd yn methu â gweld eu grawn oherwydd bod prynwyr cyfansawdd wedi prynu grawn sydd wedi'i fewnforio ymlaen llaw am brisiau uchel, dylai strêts sy'n costio llai fod ar gael yn y dyfodol agos

Porthiant parhaol a geir yn bennaf o ran rheolaeth y tir newydd sy'n troi (95%) er y bydd 1300 ha o dir â'r ychwanegol yn cynyddu'r tir â'r organig presennol 23%. Bach yw arwynebedd y tir garddwriaethol sy'n troi, gan ychwanegu tua 15% at y tir garddwriaethol organig presennol. Mae'r data'n dangos y bydd cynhyrchwyr yn troi eu holl dir ar unwaith bron, gyda dim ond ychydig, os o gwbl, yn troi'n gyfnodol.

Y rhesymau pennaf am droi at ffermio organig oedd y Cynllun Ffermio Organig a ddilynwyd gan egwyddorion ffermio organig a chostau mewnbynnau confensiynol. Prif bryderon y cynhyrchwyr wrth droi oedd costau mewnbynnau organig a diffyg premiwm organig a mwy o waith papur, er bod dibyniaeth gynyddol ar gymorthdaliadau hefyd yn cael ei nodi'n amlwg gan wrthddweud y rheswm cyntaf am droi.

Mae gan y marchnadoedd amser i addasu i niferoedd mawr y ffermydd eidion a defaid sy'n troi'n organig ar hyn o bryd, oherwydd yr amser a gymerir i droi stoc magu, gyda llawer iawn o gynhyrchwyr wedi dewis troi'n olynol, ni fydd llawer o dda byw gorffenedig yn

dod i'r farchnad tan 2010 neu 2011. Fodd bynnag, rhaid i gyrrff y diwydiant fod yn rhagweithiol wrth feithrin marchnadoedd i gynnal y niferoedd ychwanegol.

I gloi, mae sector organig Cymru'n parhau i dyfu ac, er gwaethaf dyfalu'r Cyfryngau, mae'r rhan fwyaf o'r cynnyrch yn dal i gael ei werthu i farchnadoedd organig, gyda phrisiau da byw confensiynol yn gweithredu fel clustog i'r marchnadoedd eidion a defaid organig. Bydd niferoedd mawr o gynhyrchwyr sy'n troi'n ymestyn y sector organig yn Nghymru, a dylid defnyddio'r amser a gymerir i droi gan randdeiliaid y diwydiant a'r cynhyrchwyr eu hunain i ddatblygu marchnadoedd newydd yn ogystal â'r rhai sy'n bodoli eisoes. Er gwaetha'r ansicrwydd oherwydd yr argyfwng credyd, gall cynhyrchwyr organig Cymru fod yn optimistaidd. Mae potensial i farchnadoedd gael eu datblygu ar gyfer y cynnyrch presennol ac er mwyn amsugno gwerthiant gan ddaliadau sydd newydd droi wrth i'w cynnyrch gyrraedd y farchnad.

Summary

The 2008 Welsh organic production and market survey was carried out during October and November 2008. A total of 678 organic surveys were sent out, with 410 producers responding, a 60% return rate, the new converter survey was sent to 262 producers, with 173 responding, a 66% response rate.

The Welsh organic sector continues to grow with survey data confirming that the Welsh land area under organic management exceeded 110,000ha in 2008, (8% of Welsh agricultural land), a significant increase since 2006 due to strong market demand and the re-launch of the Organic Farming Scheme (OFS). Table A highlights the increase in the number of certified organic holdings, land area and livestock produced in Wales.

Table A Welsh organic production numbers, areas, and output by enterprise, 2007 and 2008

Enterprise	Survey responses			Response rate (%)	Holdings	Estimated 2008 (from survey data)			2007 certified (Defra, 2008)			
	Holdings	Number/area(ha)				Holdings	Number/area(ha)		Holdings	Number/area(ha)	% Welsh agric.	
		Organic	In-conv.	Total		Organic	In-conv.	Total				
Beef cows		5871	2507	8378		8000	3800	11800		8985	4%	
Store beef	342	10348	2418	12766	74%	14100	3450	17550	334			
Finished beef		4799	285	5084		6500	400	6900		8500		
Ewes		81253	48949	130202		105000	65000	170000		179122	4%	
Store lambs	366	47907	16175	64082	78%	61000	19600	80600	306			
Finished lambs		49471	18525	67996		63600	24000	87600		185762		
Dairy cows		8770	657	9427		10000	1200	11200		11069	4%	
Milk (MI)	75	66	5	70	89%	74	6	79	76	61		
Pigs	12	15	10	25	50%	30	15	45	14	82	3%	
Laying hens		41370	206	41576		46000	850	46850		28102	2%	
Eggs (k doz)	27	830	0	830	53%	900	0	900	47	656		
Forage		42134	19568	61703		70000	30000	100000	-	78976	6%	
Arable	71	6042	1657	7699	46%	10000	2500	12500	138	15361	10%	
Horticulture	38	227	30	257	21%	138	400	50	450	118	322	27%
Total n/ha	583	48403	21255	69658	1	1000	80400	32550	112950	857	94659	6%

Notes: Estimates are derived from results presented in this report. Holding numbers total more than the sum of individual enterprises due to more than one enterprise per holding.

Market data shows that 2008 organic retail sales for meat and milk were very similar to or above 2007 levels, with the reported falls in organic sales also affecting conventional markets. Sales patterns were very similar to 2007, with a 25% fall between March and July and organic sales then recovering faster than conventional sales. Organic prices remained strong during 2008, with prices at or above 2007 levels, and Welsh organic farm-gate sales approaching £40 million (see Table B, below). However, due to the strong increase in conventional prices, organic price premia for organic beef and lamb were low or zero.

Table B Estimated output, organic and Welsh sales, prices and total farm-gate value for Welsh organic production, 2008

	Estimated total output	Sold as organic	Sold in Wales	Farmgate price per £	Est. total value £ million
Beef	1725 t DW	94%	92%	3.30 kg DW	5.7
Lamb	2263 t DW	73%	96%	3.31 kg DW	7.5
Milk	74 Mlitre	93%	99%	0.33 litre	24.1
Eggs	900 k doz	>95%	100%	2.34 dozen	2.1
Total		86%	97%		39.4

Note: Estimates are derived from results presented in this report. Lamb output includes retained store lambs expected to be finished.

The share of organic produce sold as organic was high for all sectors, with the finished beef market having low losses to conventional markets of 6%, and the finished lamb market showing losses of around 27%. Some of the non-organic sales were due to in-conversion producers, but non-organic sales due to a lack of market were higher, partly due to the significant increase in the price of conventional livestock to price similar to or above organic prices in 2007. Other sectors saw minimal sales into conventional markets.

The beef and sheep sectors were less optimistic in 2008, despite organic beef prices similar to 2007 and organic lamb prices around 20% higher. Producers' were unhappy that conventional prices had risen faster than organic, meaning premiums were lower. Other sectors were more optimistic, with over half of organic producers intending to continue organic production without change, and only 2% considering reverting to conventional agriculture, down from 4% in 2007.

Organic feed prices, although significantly higher than conventional feeds and a cause of serious concern to producers, do not in practice appear to be having significant impact on overall costs of production, with the latest data showing many organic livestock farms have reduced usage in response to high prices. With many UK organic arable producers currently unable to sell their grain because compounders purchased imported grain in advance at high prices, lower cost straights should become available in the near future.

New converter land management is dominated by permanent forage (95%), though an additional 1300 ha of arable land will increase existing organic arable land by 23%. The area of horticultural land in conversion is small, adding around 15% to current organic horticultural land. The data indicates that producers are converting virtually all their land at once, with few, if any pursuing staged conversion.

Primary reasons for converting to organic farming were the Organic Farming Scheme (OFS) followed by organic farming principles and costs of conventional inputs. Producers main concerns whilst converting were costs of organic inputs, a lack of organic premium and increased paperwork, though increased reliance on support payments also featured highly and contradicts the primary reason for converting.

Markets have time to adjust to the large numbers of beef and sheep farms currently in-conversion, as due to the time taken to convert breeding stock, with many producers having opted for consecutive conversion, finished organic livestock will not be entering the marketplace until 2010 or 2011. However, industry bodies need to be proactively building markets to accommodate the extra volume.

In conclusion, the Welsh organic sector continues to grow and, despite media speculation, the majority of produce is still being sold into organic markets, with high conventional livestock prices acting as a buffer to organic beef and sheep markets. Large numbers of producers converting will extend the Welsh organic sector, and the time taken for their conversion should be used by industry stakeholders and producers themselves to develop existing and new markets. Despite the uncertainty due to the credit crunch, Welsh organic producers can be optimistic. There is potential for markets to be developed both for existing producers and to absorb sales from newly converted holdings as their produce comes to the marketplace.

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1. Introduction

Prior to the 2007 Organic Centre Wales (OCW) Producer Survey, it was identified that the Welsh organic sector still lacked data availability in a number of key areas. There was an increasing availability of data, but it was still difficult to answer many questions about the sector, such as sales or the number of organic animals sold through conventional markets. The 2007 survey was able to assist in answering some of these questions, but the data collected is only accurate for a limited period after collection. In addition to this the Welsh organic sector has experienced significant changes during the last 12 months, with a further influx of new converters, and more recently the effects of the recession within the UK and abroad.

With all of these factors in mind, the necessity to carry out a further survey in 2008 was even greater than in 2007. Therefore, in consultation with the Welsh Assembly Government (WAG), OCW undertook the survey process again during Autumn 2008, and it is planned that this will now continue on an annual basis. An annual survey, although slightly modified between years, allows for year to year comparisons and trends to be observed.

In 2007 all certified producers, organic and in-conversion, completed the same questionnaire, and in 2008 it was felt that, with the large numbers of new converters since 2006, two individual surveys would be a better solution, to allow for tailoring of questions to each sub-sector.

1.1. Approach

The survey was carried out by Organic Centre Wales with support from staff of the Institute of Biological, Environmental and Rural Sciences (IBERS), Aberystwyth University. The two survey documents (organic and in-conversion) were developed during September (2008), in consultation with industry stakeholders, and finalised in October. Following consultation with WAG and the organic certification bodies the organic survey was sent out to 678 producers registered as organic before end 2006, and the new converter survey was sent to 262 in-conversion holdings registered in 2007 and 2008.

The organic survey comprised of a general information and land use section as well as sections specific to each enterprise. Data received in the 2007 survey allowed most producers to be only sent sections relevant to their business, reducing the size of the survey documents sent out, ensuring financial and environmental savings as well as a less intimidating document for producers to complete. All surveys were accompanied by a covering letter, explaining the benefit to the industry of producers completing the survey, and illustrating that only through accurate information can support organisations such as OCW, WAG and HCC direct attention to the most relevant areas.

Survey documents were sent out to producers in mid-October, with a postal closing date of 31st October. Following the two week postal return period, all producers with outstanding surveys were then contacted by IBERS staff by telephone. All producers contacted by this method were asked whether they were aware of the survey, and after a brief explanation given the option of either completing their survey by phone, or returning their survey by post. Following the follow up phone calls a further reminder letter was sent out, and an additional week was allowed for postal surveys to be returned, before data analysis began.

Data collation and analysis was carried out using the same methodology used previously; data from individual MS Excel workbooks extracted to form a large database of results, for analysis, from which the results within this summary are presented.

1.2. Response rates

The 2007 producer survey achieved a very high return rate of 67%, and set a high target for 2008. Table 1 shows that the organic survey reached a return rate of 60%, the new converter survey a response rate of 66%. When combined, the overall return rate for 2008 was 62%, very close to that achieved in 2007. The new converter survey showed a higher rate of postal returns, and a higher proportion of Welsh usage, possibly as the survey document was more concise and therefore more acceptable to producers, which also allowed for both English and Welsh documents to be sent to producers. Due to document size constraints the organic survey document was not sent out in Welsh, and may be a reason for a lower Welsh language return rate (Welsh language phone surveys have however always been available).

Table 1 Methods of survey completion for both organic, new converter and combined results

Fully Organic Survey 2008	English	Welsh	Totals		Return rate
Post	98	1	99	24%	
Online	0	0	0	0%	
Phone	269	42	311	76%	
Totals	367	43	410		60%
New Converter Survey 2008					
Post	78	5	83	48%	
Online	0	0	0	0%	
Phone	57	33	90	52%	
Totals	135	38	173		66%
Combined survey results 2008					
Post	176	6	182	31%	
Online	0	0	0	0%	
Phone	326	75	401	69%	
Totals	502	81	583		62%
2007 Producer survey results					
Post	127	2	129	28%	
Online	2	0	2	0%	
Phone	301	35	336	72%	
Totals	430	37	467		67%

Table 2 indicates that organic survey section completion rate was slightly lower than last year, but still at a high rate for the majority of enterprise types. Ruminant type livestock enterprises were well covered, pig and poultry at a lower rate. The sector least well covered was horticulture, often due to the intensity and diverse range of crops grown by many producers. Horticulture, and to a lesser extent arable cropping, present surveying difficulties, as data for a range of crops and possible marketing routes is required for accurate industry feedback, but time to complete complicated forms is at a premium. However, this area has been highlighted as an area for improvement in future studies.

Table 2 Completed survey sections compared to enterprises identified from certification data

Enterprise type	2008 survey sections completed n	Completion rate	
		2008 survey %	2007 Survey %
Beef	246	74%	80%
Sheep	238	78%	79%
Dairy	68	89%	87%
Pigs	7	50%	45%
Table Birds	5	64%	23%
Eggs	25	53%	63%
Fruit & Vegetables	25	21%	53%
Grains & Pulses	63	46%	32%
Feed & Forage	261	46%	43%
Direct sales	54	n/a	n/a

1.3. Structure of organic and converting farms

OCW previously released statistics estimating the number and type of Welsh organic holdings, highlighted in Table 3, based on 2007 certification data provided by Defra and the 2007 producer survey. The data showed an increase in the number of holdings between 2006 and 2007, with organically managed land occupying around 6.5% of Welsh farm land.

Table 3 Welsh certified organic and in-conversion holdings and land use, 2006 and 2007

		Defra Welsh certification data			OCW autumn 2007 survey	Wales all 2006	2007 organic share of 2006 Welsh agric.
		end 2006	end 2007	Change			
Holdings	Number	710	857	21%	710	24313	3.5%
Land use							
Area	Hectares	78973	95865	21%	no data	1499606	6.4%
Cereals	Hectares	2144	2361	10%	4100	40931	5.8%
Other arable	Hectares	1557	1618	4%		19777	8.2%
Potatoes	Hectares	99	96	-3%	140	2026	4.7%
Horticulture	Hectares	244	322	32%	110	1211	26.6%
Tillage	Hectares	4044	4397	9%	4350	63945	6.9%
Temp grass	Hectares	10564	11286	7%	no data	99661	11.3%
Arable land (inc temp gra	Hectares	14608	15683	7%	no data	163606	9.6%
Permanent grass/rough	Hectares	63103	78976	25%	no data	1266464	6.2%
Woodland/other	Hectares	1262	1206	-4%	no data	69536	1.7%

Despite recent improvements to data availability organic and in-conversion land area and farm data is still scarce, out-of-date and possibly inaccurate; therefore both 2008 surveys requested producers to complete their land area under different crops in 2008, the land's organic status and other questions to understand the nature of Welsh organic farms. The compiled land data shown in Table 4 provides data both for aggregate land types and

individual crops in 2008. Data collected through the survey has then been multiplied up to give an indication of approximate Welsh totals for the various categories.

The fully organic data shows the majority of land (ca. 87%) is permanent pasture or rough grazing with the arable area (including temporary grassland) accounting for most of the remainder. The Welsh horticultural sector forms a small, but intensive part of the picture.

In-conversion land indicates a higher proportion as forage, with lower segments of arable and horticulture. The higher incidence of forage on new converter farms reflects the prevalence of beef and sheep producers currently in conversion, though with some possibility of diversification into cropping enterprises once organic status is achieved.

Table 4 Organic and in-conversion land area (ha) in Wales (survey results and raised estimates), 2008

Crop Type	Fully organic		In-conversion		% organic and in-conversion		Calculated Welsh areas		
	Area ha	% split	Area ha	% split	Organic %	In-conv %	Organic ha	In-conv ha	Total ha
Total forage	42134	87.0%	19568	92.1%	68%	32%	70000	30000	100000
Total arable	6042	12.5%	1657	7.8%	78%	22%	10000	2500	12500
Total horticulture	227	0.5%	30	0.1%	88%	12%	400	50	450
Totals	48403		21255		69%	31%	80400	32550	112950
Permanent grass	30499	63.0%	14082	66.3%	68%	32%	50150	23500	73650
Temporary grass	3905	8.1%	906	4.3%	81%	19%	6000	1500	7500
Rough grazing	11300	23.3%	5477	25.8%	67%	33%	18000	8000	26000
Arable silage	719	1.5%	295	1.4%	71%	29%	1200	500	1700
Other fodder crops	412	0.9%	164	0.8%	71%	29%	700	300	1000
Grazed woodland	335	0.7%	9	0.0%	97%	3%	550	-	550
Wheat	140	0.3%	26	0.1%	84%	16%	225	50	275
Barley	318	0.7%	183	0.9%	64%	36%	525	300	825
Oats	325	0.7%	25	0.1%	93%	7%	525	40	565
Other grains	108	0.2%	18	0.1%	86%	14%	175	25	200
Legumes/arable	116	0.2%	40	0.2%	75%	25%	200	50	250
Mixed market gdn	42	0.1%	11	0.0%	80%	20%	75	20	95
Potatoes	62	0.1%	1	0.0%	99%	1%	100	5	105
Leeks & onions	13	0.0%	0	0.0%	99%	1%	20	0	20
Peas/Beans	14	0.0%	0	0.0%	100%	0%	20	0	20
Carrots & other roots	13	0.0%	5	0.0%	74%	26%	20	10	30
Brassicas	27	0.1%	0	0.0%	99%	1%	40	0	40
Top/soft fruit	5	0.0%	11	0.1%	31%	69%	10	20	30
Other horticulture	52	0.1%	3	0.0%	95%	5%	90	5	95

Table 5 contrasts estimated 2008 Welsh organic and in-conversion areas with the Defra certification data for 2006 and 2007, with 2008 Organic Farming Scheme (OFS) data (raised to 100% from 93% complete data), and with the total agricultural land area for Wales in 2008. Due to different methods of land classification (for example temporary grass is included as forage in the OFS data and as arable for the other sources), and data from different years, caution should be taken with direct comparisons between datasets, but much of the data shows some correlation.

The total fully-organic area calculated from collected survey data for 2008 is greater than the Defra certification data for 2007, in part due to land achieving organic status during 2008. The large differences in rough grazing areas result from significant areas of rough grazing being classified as permanent grassland in the certifier returns to Defra. Most of the other organic data shows a reasonable relationship with the Defra certification data. Differences between calculated survey data and OFS data are largely due to differences in methods of land classification under the OFS payment scheme, particularly affecting arable and horticultural land areas, as well as the possibility that some (particularly horticultural) holdings are not registered for the OFS.

The estimated 2008 in-conversion land areas are similar to 2007 Defra certification data, though with more variation at individual crop level. This is partly explained by land achieving full organic status in 2008 being matched by new land coming into conversion. Land achieving full organic status during 2008 may also explain the difference distribution of organic and in-conversion land from the OFS data (which relates to the fixed time point of 15th May) and the survey estimates for the situation at the end of 2008.

Table 5 Organic and in-conversion area estimates, with comparison data from Defra 2006 and 2007 data, WAG Organic Farming Scheme data (OFS, 2008) and Welsh total agricultural areas

Crop Type	Calculated Welsh organic (2008)		Defra Welsh organic statistics				WAG OFS Data 2008		2008 Wales land totals ('000 ha)	
	Organic	In-conv	Organic	In-conv	Organic	In-conv	Organic	In-conv	Total	% org. (2007)
Total forage	70000	30000	51671	28778	49975	14551	57838	51574	1,216.4	6.6%
Total arable	10000	2500	12198	1727	12169	674	2998	1632	159.1	8.8%
Hort. (inc. potatoes)	400	50	408	9	333	6	172	23	3.2	12.9%
Hort. (exc. Potatoes)	300	45	314	7	234	6	nd	nd	1.0	30.7%
Totals	80400	32550	64277	30514	62478	15231	61008	53229	1,379	6.9%
Permanent grass	50150	23500	48310	26588	45858	12338	-	-	1,017	5%
Temporary grass	6000	1500	9942	1329	9949	442	-	-	87	11%
Rough grazing	18000	8000	2229	1860	2894	2072	-	-	200	1%
Arable silage	1200	500	345	71	488	21	-	-	-	-
Other fodder crops	700	300	701	209	736	120	-	-	-	-
Grazed woodland	550	-	-	-	-	-	-	-	-	-
Wheat	225	50	384	55	367	15	-	-	20	2%
Barley	525	300	578	78	693	92	-	-	22	3%
Oats	525	40	596	76	482	44	-	-	4	14%
Other grains	175	25	-	-	-	-	-	-	-	-
Legumes/arable	200	50	-	-	-	-	-	-	-	-
Mixed market gdn	75	20	-	-	-	-	-	-	-	-
Potatoes	100	5	94	2	99	0	-	-	2	4%
Leeks & onions	20	0	12	0	13	0	-	-	-	-
Peas/Beans	20	0	19	15	45	0	-	-	-	-
Carrots & other roots	20	10	-	-	-	-	-	-	-	-
Brassicas	40	0	30	0	16	0	-	-	-	-
Top/soft fruit	10	20	-	-	-	-	-	-	-	-
Other horticulture	90	5	-	-	-	-	-	-	-	-

Through analysis of the number of completed enterprise survey sections, a picture of the structure of Welsh organic businesses can be formed. Existing organic businesses are dominated by beef, sheep and to a lesser extent, dairy and laying poultry enterprises with low levels of pig and table poultry. Arable enterprises exist on around 15% of farms,

though the previous survey highlighted that the majority of production is for home farm use. The number of horticulture enterprises covered by the survey was low, but when multiplied up to full Welsh level form a significant number of around 150 producers. In-conversion holdings showed a strong tendency towards sheep and beef production, with low levels of other enterprise types. Around 6% of producers rent out all of their organic or in-conversion land, an increasing trend since decoupling of support payments.

Table 6 Number of survey sections completed, the percentage of sample returns completed for each enterprise and calculated enterprise types present on Welsh organic and in-conversion farms, 2008

Enterprise type	Fully organic		In-conversion		Calculated Welsh totals			Defra 2007 data
	Survey sections	% of surveys	Survey sections	% of surveys	Organic	In-conv	Total	
Beef	246	60%	96	55%	334	145	479	424
Sheep	238	58%	128	74%	306	194	500	422
Dairy	68	17%	7	4%	76	11	87	90
Pigs	7	2%	5	3%	14	8	22	16
Table Birds	5	1%	5	3%	8	8	15	16
Eggs	25	6%	2	1%	47	3	50	50
Fruit & Vegetables	25	6%	13	8%	118	20	138	136
Grains & Pulses	63	15%	8	5%	138	12	150	165
Rent out all land	25	6%	10	6%	41	15	56	-

Farm diversification can be a significant source of income for many farms, Table 7 highlights that a significant number of organic and in-conversion farms have diversified. The organic farms show a higher percentage of diversification, more than in-conversion producers in most cases, though new converter farms show higher rates of tourism and agri-contracting businesses. It is likely that new converters will follow existing organic farms into developing diversified enterprises as their produce becomes certified and they look to add more value to their produce. It can be seen that organic farms are significantly more diversified than farms in Wales as a whole, particularly in terms of on-farm processing, retailing and tourism.

Table 7 Level of diversification within Welsh organic and converting farm businesses (% of producers diversified within survey sample), 2008

Type of diversification	2008						2007		All Welsh farms
	Organic survey		New converter		Combined		Combined		
	%	n	%	n	%	n	%	n	
Farm processing	6%	23	2%	4	5%	27	4%	17	1%
Farm retailing	7%	30	1%	2	5%	32	8%	39	
Farm catering	1%	4	0%	0	1%	4	1%	5	2%
Tourism	15%	60	17%	29	15%	89	9%	45	
Education	4%	16	3%	5	4%	21	6%	30	2%
Contracting	5%	19	9%	15	6%	34	5%	26	
Other	4%	16	1%	2	3%	18	7%	32	5%
Multiple diversification	18%	33	nd	nd	nd	nd	nd	nd	

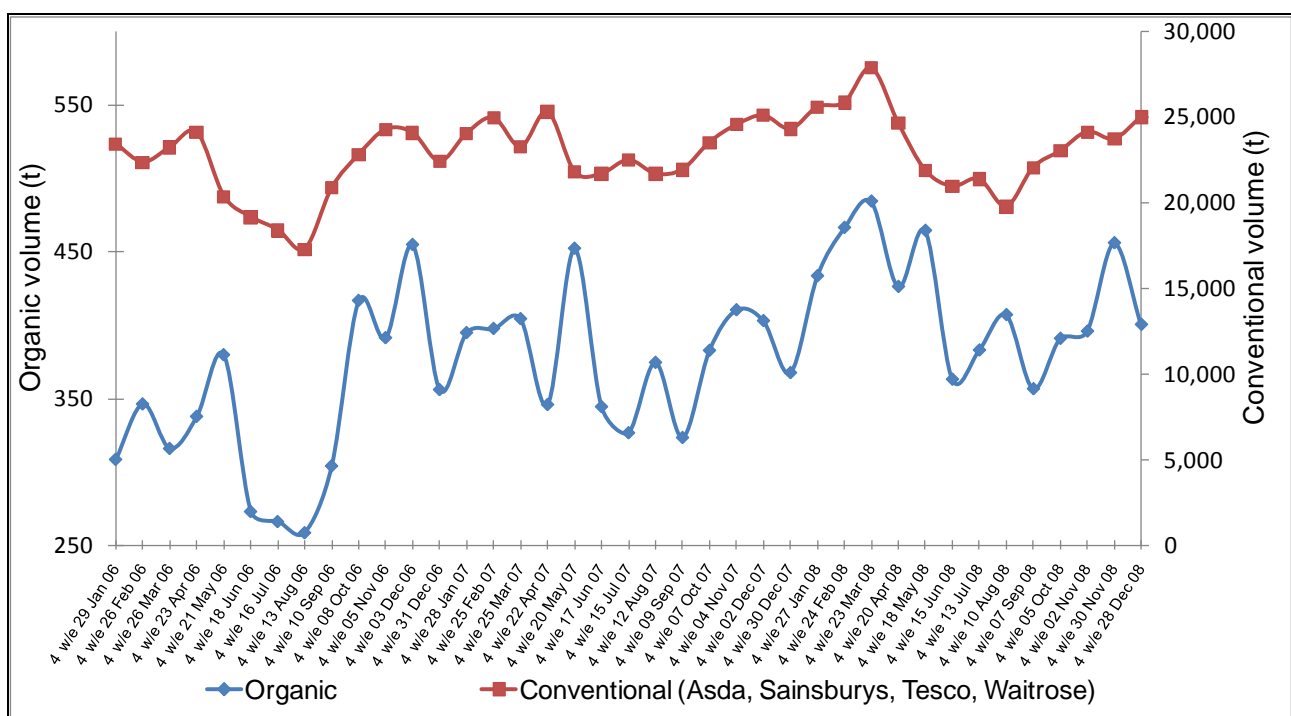
2. Economic environment

During the second half of 2008 as the credit crunch began to impact on consumers across the UK the media highlighted a decline in organic sales. The picture is however not as simple as has been portrayed in the popular press.

2.1. Meat sector

The following figures show TNS retail fresh and frozen meat data, and compare organic and conventional meat sales from four major supermarkets (Asda, Sainsburys, Tesco and Waitrose), allowing direct comparison between sales. Figure 1 shows organic and conventional retail meat sales over the last three years, and it can be seen that organic sales have steadily risen over the three years, with occasional blips, generally following the conventional sales pattern.

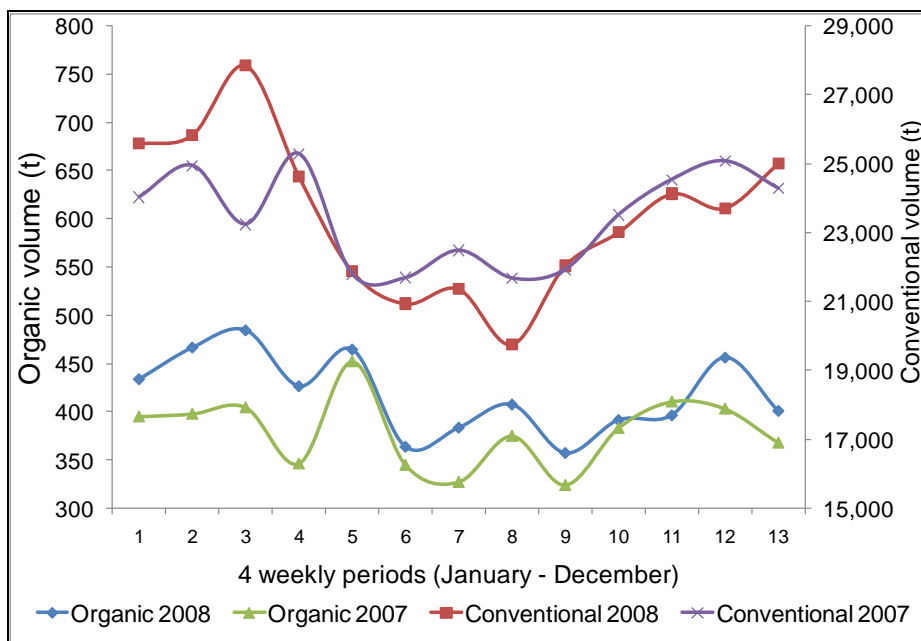
Figure 1 Organic and conventional retail meat sales volume, 2006, 2007, and 2008



Source: TNS Worldpanel / HCC

Figure 2 shows organic and conventional retail meat sales contrasted between 2007 and 2008, indicating similar patterns both years, and that the widely reported organic sales drop due to the credit crunch appears unfounded from two perspectives. Sales of organic meat in 2008 have followed a very similar pattern to 2007, with higher sales in 2008 for all but one 4 week period in October. In contrast, 2008 conventional sales fell below the 2007 level in April, and remained below for most of the year. The reported fall in organic sales affected sectors, following the same sales pattern, with a 25% fall between March and July, organic sales then recovering faster than conventional sales.

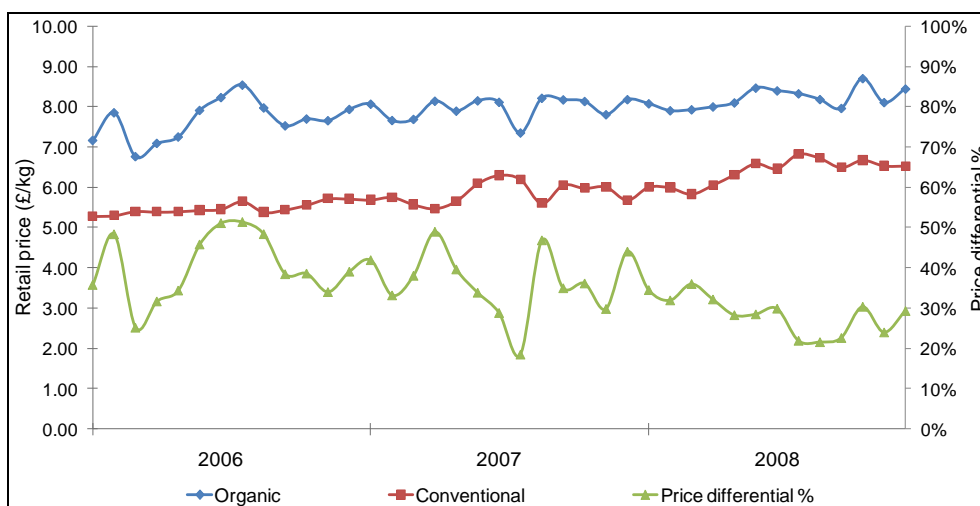
Figure 2 Organic and conventional retail meat sales volume contrasted, 2007 and 2008



Source: TNS Worldpanel / HCC

Retail meat prices have risen slightly over the three year period shown in Figure 3, with the price differential between organic and conventional reducing steadily to approximately 25% in late 2008. Despite the media's assumption that organic sales will fall during the credit crunch, the reduction in price difference, mainly due to increasing conventional prices, should be seen as an opportunity to increase organic sales. There is still quite wide variation in the level of price differential between organic and conventional prices, with beef prices almost identical to UK-produced conventional and organic poultry prices still showing a significant variation.

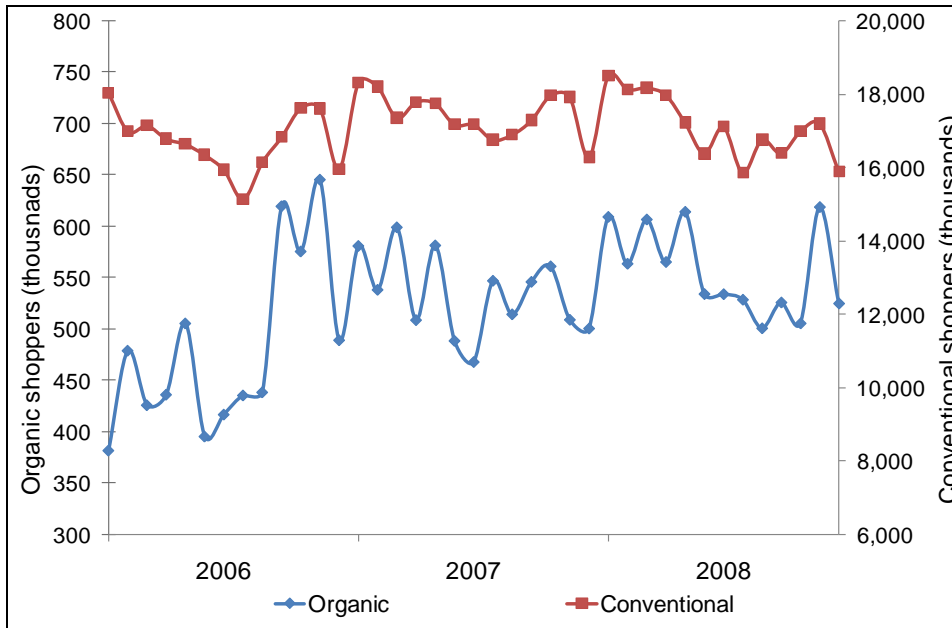
Figure 3 Organic and conventional retail meat price, 2006, 2007, 2008



Source: TNS Worldpanel / HCC

Figure 4 highlights an increase in organic meat customers over the three year period 2006 to 2008. Contrary to media stories November 2008 saw the second highest number of organic meat customers in the three year period. As organic to conventional price variation reduces, customers may actually be more likely to stay with or change to organic.

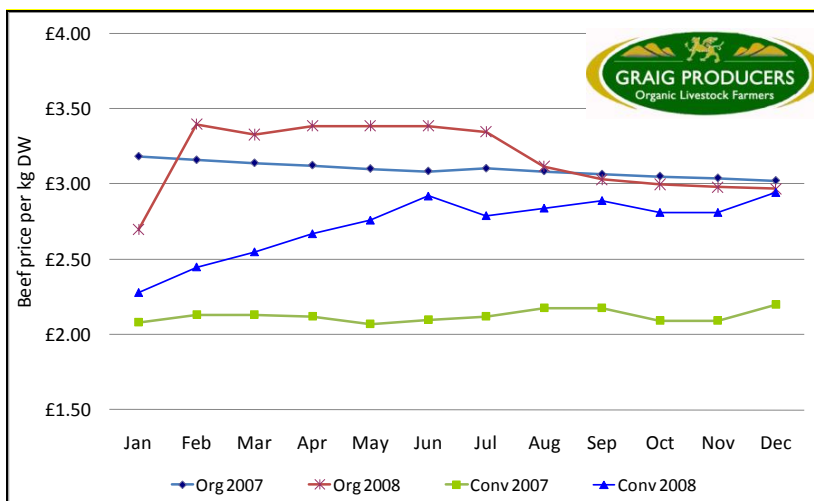
Figure 4 Organic and conventional shopper footfall numbers, 2006, 2007 and 2008



Source: TNS Worldpanel / HCC

At farm gate level, organic beef and lamb prices at circa. £3.00/kg DW (December 2008) remained similar to or higher than levels achieved in 2007 (Figure 5 and 6). Although the beef price is marginally lower than in 2007 and producers are concerned at the erosion of the organic price premium, costs of production data (see page 31), show that even at the same organic and conventional price of £3.00/kg DW, organic producers still outperform their conventional counterparts financially. The graph highlights that the organic price has been high for most of 2008, and due to a number of factors there has been a significant increase in the conventional beef price, now very similar to the organic price. Whilst the organic beef premium is virtually nil producers now have the added option of selling into conventional markets with a minimal price penalty.

Figure 5 Organic and conventional beef prices, 2007 and 2008



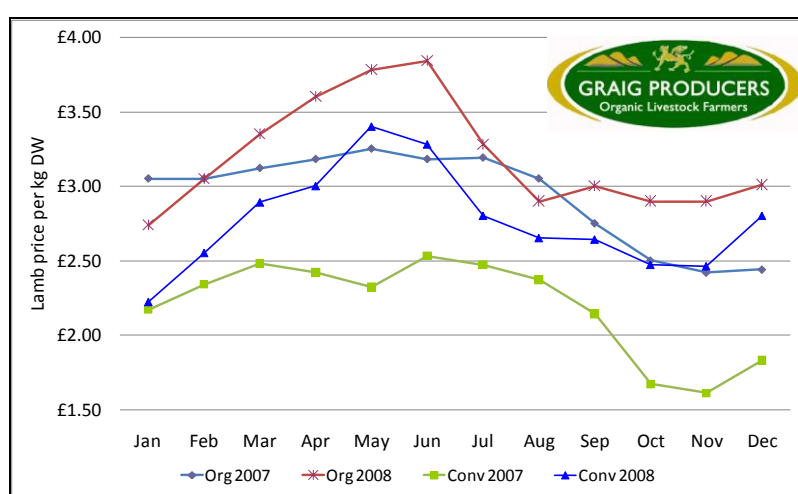
Sources: Graig Producers; Conventional prices: Agriculture and Horticulture Development Board. Organic prices represent average base prices received by Graig Producer members, excluding delivery costs, levy, other abattoir deductions and procurement fees.

Organic lamb prices in Figure 6 show that they have altered in the usual seasonal pattern, and have remained above conventional prices all year, peaking in June at around £3.85/kg

DW, considerably higher than in 2007. Autumn 2007 saw very low prices for the sheep sector, mainly due to export restrictions following the foot and mouth outbreak, but the organic sector was less badly hit than the conventional sector.

Stronger conventional prices have tempted some organic producers to sell into conventional markets, and due to short supply January's organic lamb price has now risen considerably, with forward prices approaching £3.50/kg DW offered for organic lamb. A number of factors should ensure that, contrary to over-supply predictions, the organic lamb market may remain strong into spring 2009 and possibly beyond. The organic lamb market suffers from the same seasonal supply and price patterns as the conventional market, with short supply in the spring and over-supply in the autumn, and producers will be able to obtain better prices by adapting their system to avoid marketing during periods of market saturation.

Figure 6 Organic and conventional lamb prices, 2007 and 2008



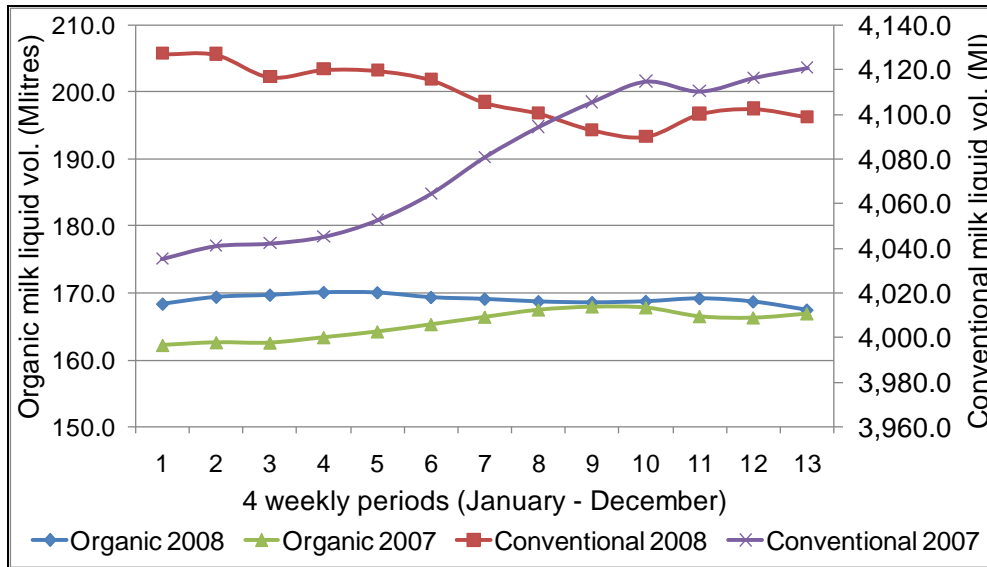
Sources: Graig Producers; Conventional prices: Agriculture and Horticulture Development Board. Organic prices represent average base prices received by Graig Producer members, excluding delivery costs, levy, other abattoir deductions and procurement fees.

2.2. Dairy sector

Figure 7 indicates an increase in both organic and conventional retail liquid milk sales during 2007, and a fall in demand of around 1% in 2008. Organic sales are now very similar to 2007 levels; conventional sales have fallen below 2007 levels.

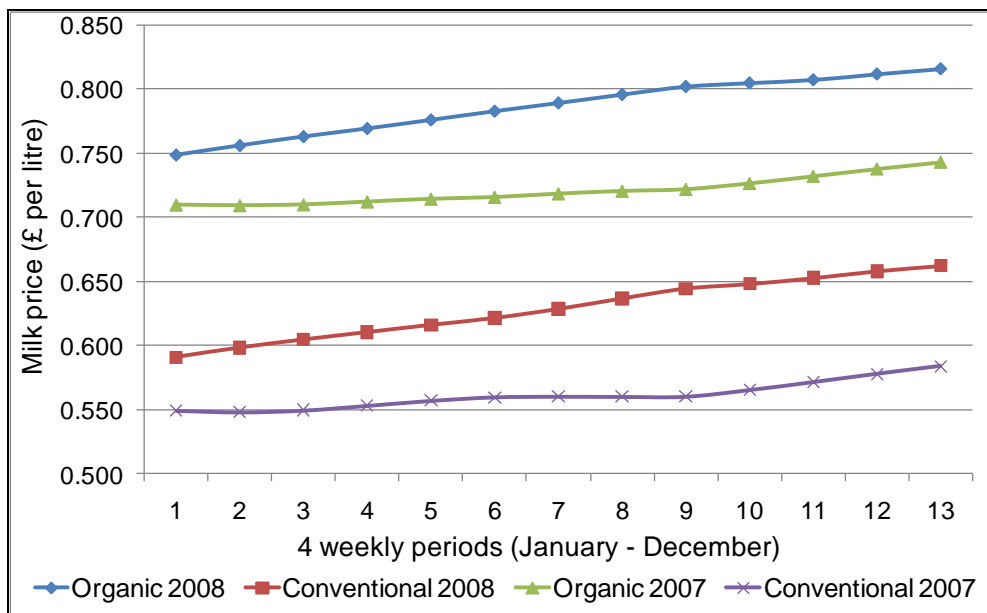
Figure 8 shows the steady increase in retail milk prices over the last two years, with both sectors showing exactly the same pattern, albeit at different price points. Although both sectors have seen increases, the conventional sector is now beginning to see prices fall, as world dairy product prices fall and supermarkets compete for customers during the current recession. Some organic milk prices have fallen, but the majority have remained stable.

Figure 7 Organic and conventional retail milk volume, 2007 and 2008



Source: TNS Worldpanel / DairyCo

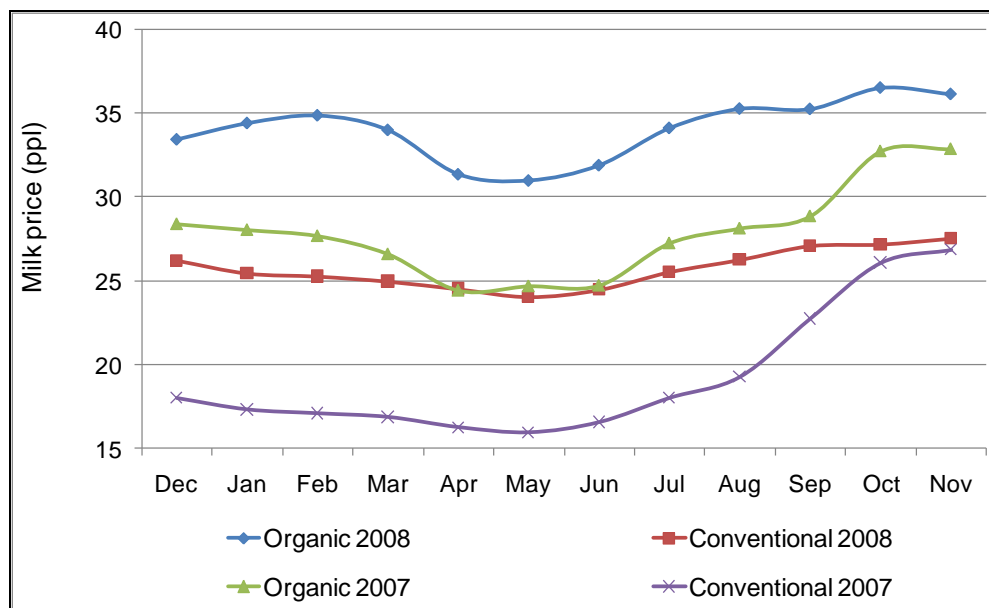
Figure 8 Organic and conventional retail milk price (pence per litre), 2007 and 2008



Source: TNS Worldpanel / DairyCo

The organic retail milk price was around 20% higher than the conventional in December 2008, UK organic farm-gate milk prices (Figure 9) approximately 30% higher than the Welsh average.

Figure 9 Organic and Welsh conventional farm-gate milk prices, 2007 and 2008



Source: DairyCo

2.3. Pig and poultry sectors

These sectors are characterised by smaller producers selling direct to consumers, and much larger producers selling through processors to multiple retailers. Both were adversely affected by the changes in the non-organic feed allowances, but market demand remains good, stimulated in part by high profile campaigns by Jamie Oliver and Hugh Fearnley-Whittingstall against intensively reared pigs and poultry. In summer 2008, eggs were selling at 165-200p/dozen, organic pork was selling at 225p/kg dw, table poultry at 147p/bird dw, with considerably higher prices available through direct sales.

2.4. Fruit and vegetables

Extreme weather conditions have impacted on horticultural production in the last three seasons. Sowing, planting and harvesting activities were all disrupted at times, but crops have been affected differently by the variations in temperature and rainfall. Market demand has increased year on year, through expansion of the organic market, but it is unclear whether markets will continue to grow in 2009. Autumn 2008 saw both significant supplies of organic produce available, and a tightening of consumers' finances, leading to organic fruit and vegetable prices being reduced by both multiple retailers and larger box scheme retailers. However, there are still opportunities for both existing and new horticultural producers to produce more organic fruit and vegetables, but markets must be researched first as the threat of market changes and cheaper organic imports remain.

2.5. Cereals and other grains

Increasing demand for cereals following the reduction in EU allowances for the use of non-organic raw materials in organic animal feeds, led to a supply shortage, but another wet summer led to difficulties for many organic arable farmers, with lower yields and quality. Processors have increasingly turned to imports to maintain supply, which has led to marketing problems for some Welsh organic cereal growers. Organic feed barley prices reduced considerably during 2008, from around £325 in the spring to between £200-230/t in the autumn, and the possibility of some organic farmers temporarily de-registering may also complicate the grain market in 2009.

3. Future intentions of producers

3.1. Future intentions of organic producers

Over half of organic producers intend to continue organic production without change (63%), slightly reduced from 70% in 2007 (Table 8). Similar levels of producers are intending to expand or reduce their organic business, but fewer are willing to expand than in 2007 (not unexpected given the current financial climate). Very few and less than 2007 are considering reverting to conventional agriculture. Around 7% of those expressing an opinion rent out their organic land.

Table 8 Welsh organic producers' future organic farming intentions, 2008 (Fully organic producers only)

	2008 responses		2007 data
No change	230	63%	70%
Expand production	51	14%	19%
Reduce production	39	11%	nd
Give up farming completely	5	1%	nd
Rent out organic land	25	7%	nd
Revert to conventional farming	7	2%	4%
Other	9	2%	7%

Producers were asked for their views on whether the current (2008) prices for products were high enough to continue producing organically (shown in Table 9, with 2007 responses shown for comparison). The beef sector was less optimistic than in 2007, with only around a third of producers believing that current prices are high enough, in contrast to 60% in 2007. The sheep sector shows less optimism, with over 50% of producers considering the current price too low to continue organically. As discussed previously, organic beef prices are similar to 2007, and lamb prices are around 20% higher, but producers' comments indicated they were unhappy that conventional prices had risen faster than organic, meaning premiums were lower or near nil.

Table 9 Are current (2008) prices for products sufficiently high to continue producing them organically? (Fully organic producers only)

Enterprise	n (2008)	Definitely		Probably		Not sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Store cattle	107	6%	6%	28%	50%	31%	15%	24%	22%	11%	7%
Finished cattle	137	4%	11%	30%	52%	23%	15%	29%	15%	14%	7%
Store lambs	53	2%	1%	11%	20%	23%	20%	26%	29%	38%	29%
Finished lambs	174	3%	8%	22%	37%	28%	19%	23%	24%	24%	13%
Milk	62	10%	15%	42%	50%	16%	18%	24%	15%	8%	3%
Pigs (All)	4	-	17%	-	42%	-	0%	-	8%	-	33%
Eggs	21	0%	11%	48%	37%	19%	30%	5%	15%	29%	7%
Fruit & vegetables	25	20%	6%	40%	50%	24%	20%	8%	15%	8%	9%
Grains & pulses	61	10%	36%	36%	47%	41%	13%	10%	2%	3%	2%

Table 9 showed that the relatively buoyant organic dairy sector shows some confidence, though less than last year. Over half of milk producers still feel that current prices are high enough to continue organic production, and whilst 30% felt prices were too low, it is likely that organic prices will follow the conventional trend downwards. Costs of production data

(page 32) show that the organic margin would have to reduce considerably before most organic producers would be worse off.

The egg sector indicates a contrast between 48% of producers believing prices are high enough, and around a third feeling prices are too low. Horticultural producers are the most optimistic sector, slightly higher than in 2007, whilst arable producer's confidence has reduced, from exceptionally high levels in 2007.

Expected changes in organic production levels (Table 10) show that most producers are not planning significant changes to their production levels over the next 12 months. As highlighted in Table 8, nearly all sectors are experiencing a reduction in confidence (despite strong or stable prices) and producers are therefore expecting output levels to remain static, even in the relatively optimistic horticultural sector.

Table 10 Expected change in Welsh organic production levels by enterprise over the next 12 months (to October 2009) (Fully organic producers only)

Enterprise	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Store cattle	100	10%	13%	10%	14%	56%	49%	10%	19%	14%	5%
Finished cattle	121	11%	17%	8%	19%	64%	51%	7%	10%	9%	4%
Store lamb	53	6%	3%	0%	15%	81%	54%	8%	24%	6%	4%
Finished lamb	160	7%	5%	9%	16%	68%	61%	6%	12%	10%	5%
Milk	62	8%	9%	19%	38%	66%	52%	2%	2%	5%	0%
Egg	20	5%	12%	15%	12%	65%	69%	0%	4%	15%	4%
Fruit & vegetable	24	13%	18%	13%	32%	58%	49%	13%	0%	4%	2%
Grain/pulses	66	12%	27%	3%	17%	68%	52%	6%	2%	11%	2%
Fodder sales	81	2%	10%	4%	23%	90%	61%	2%	3%	1%	3%

Table 11 and Table 12 show the land areas of new converters (i.e. conversions started between late 2006 and late 2008), pre, during and post organic conversion, with Table 11 showing actual survey data and Table 12 presenting calculated totals for Wales, based on survey return rates.

The land management of holdings entering conversion is dominated by permanent forage (95%), with only small changes in cropping patterns planned during the conversion process. A small percentage of in-conversion land is expected to be converted from permanent grassland to arable (circa. 300 ha), but the addition of around 1300 ha of arable land to existing organic arable land is a significant increase (23%). Additional permanent forage land, extending to around 28,000 ha, will add around 40% to the current organic area, a substantial increase. The area of horticultural land in conversion is very small, with only very small additional land quantities becoming of horticultural use during conversion. The total area of horticultural land converting adds around 15% to current organic horticultural land.

Table 11 below highlights that producers are converting virtually all land, with few, if any pursuing staged conversions, with the result that most of this land would be expected to reach fully organic status by 2010.

Table 11 New converter land areas by use before, during and post conversion (ha. actual survey data)

Crop Type	Pre-conversion area		In-conversion at Oct 2008		Not in-conversion at Oct 2008		Projected when fully organic		Change during conversion	
	Area	% of total	Area	% of total	Area	% of total	Area	% of total	Area	%
Total forage	18823	95.0%	18355	94.0%	303	89.5%	18385	93.4%		-1.6%
Total arable	967	4.9%	1141	5.8%	35	10.5%	1258	6.4%		1.5%
Total horticulture	27	0.1%	30	0.2%	0	0.0%	37	0.2%		0.1%
Utilizable agri. area		19818		19525		338		19680		0%
Permanent grass	13374		12901		303		12927			-447
Temporary grass	394		416		0		476			82
Rough grazing	5449		5453		0		5457			8
Arable silage	243		293		33		281			38
Other fodder crops	182		154		2		193			11
Wheat	13		26		0		20			7
Barley	85		173		0		194			108
Oats	11		21		0		36			26
Other grains	39		51		0		43			4
Legumes/arable	0		7		0		15			15
Potatoes	0		1		0		1			1
Top/soft fruit	12		11		0		13			1
Other horticulture	15		18		0		24			8

Table 12 Calculated total Welsh new converter land areas and use before, during and post conversion (2008)

Crop Type	Pre-conversion area		In-conversion at Oct 2008		Not in-conversion at Oct 2008		Projected when fully organic		Projected extra org. land as % of current org. land	
	Calculated area		Calculated area		Calculated area		Calculated area			
Total forage	28507		27797		458		27842		40%	
Total arable	1465		1728		54		1905		19%	
Total horticulture	42		45		0		57		14%	
Utilizable agri. area	30013		29570		512		29804		37%	
Permanent grass	20254		19539		458		19578		39%	
Temporary grass	597		630		0		721		12%	
Rough grazing	8252		8258		0		8265		46%	
Arable silage	368		443		50		426		35%	
Other fodder crops	276		234		3		292		42%	
Wheat	19		40		0		30		13%	
Barley	129		261		0		293		56%	
Oats	16		32		0		55		10%	
Other grains	59		77		0		65		37%	
Legumes/arable	0		10		0		23		11%	
Potatoes	1		1		0		1		1%	
Top/soft fruit	18		16		0		20		197%	
Other horticulture	23		27		0		36		40%	

Table 13 highlights likely changes in farm enterprises on farms during conversion. In terms of percentage, poultry is likely to see the greatest increase, though with small numbers overall. A transition into arable and horticultural production would be welcomed by the sector. An increase in pig and poultry enterprises in particular will require greater organic arable production to produce the required feed.

Table 13 New converters' current enterprises (2008) and planned changes during conversion

	Already present		Intend to introduce		Intend to give up		Net change (est.)	
	n	%	n	%	n	%	n	%
Beef	96	58%	14	15%	3	-3%	11	11%
Sheep	128	77%	11	9%	3	-2%	8	6%
Dairy	7	4%	3	43%	0	0%	3	43%
Pigs	5	3%	5	100%	0	0%	5	100%
Eggs	5	3%	7	140%	0	0%	7	140%
Table birds	2	1%	5	250%	0	0%	5	250%
Fruit & veg	13	8%	10	77%	0	0%	10	77%
Grain & pulses	8	5%	8	100%	1	-13%	7	88%

Producers currently in conversion were asked to rank their primary reasons for converting to organic farming. Table 14 shows the number of responses and score of importance (calculated from the rank given to statements by producers), with the Organic Farming Scheme (OFS) being the most important, closely followed by organic farming principles. There are *push* and *pull* factors when deciding to convert to organic farming and the third ranked 'costs of conventional fertilisers/inputs' can be seen as a significant *push* factor. Other important factors included lower workloads and protecting the environment, while factors of least importance were soil fertility, product quality and personal/family health.

Table 14 New converters' reasons for converting to organic farming

	No. of responses	Score of importance
Organic Farming Scheme payments	148	628
Organic farming principles	134	549
Cost of conventional fertiliser/inputs	111	421
Lower workload (less stock/crop input)	113	413
To protect the environment	115	392
To improve profitability	108	382
To improve animal health/welfare	108	365
Demand for organic produce	112	355
To increase job satisfaction	103	348
To improve soil fertility	106	333
To improve product quality	104	331
To improve personal/family health	105	316
Other	19	74

The main concerns of converting producers included the cost of organic inputs, a lack of organic market/premium price, an increase in paperwork/administration and limitations on the use of veterinary and crop protection products. The least important concerns were poorer animal health, reduced product quality and a higher workload.

Table 15 New converters' main concerns about converting to organic farming

	No. of responses	Score of importance
Cost of organic inputs e.g. feed/seed	78	542
Lack of organic market/premium price	53	478
Increased paperwork/administration	43	430
Weed control without herbicides	36	377
Increased reliance on support payment	27	369
Limitations on use of veterinary products	33	368
Lower stocking rates/yields	22	342
Crop pest and disease problems	21	314
Reduced profitability	18	289
Loss of soil nutrients	16	275
Poorer animal health/welfare	17	275
Reduced product quality	11	247
Higher workload	5	236
Other	1	37

It could be concluded that converting farmers are primarily attracted to organic farming by the Organic Farming Scheme, though conversely one of their concerns is also an increased reliance on support payments. Organic principles also featured prominently in deciding to convert, whilst the cost of organic inputs and a possible lack of market or organic premium are the main concerns. The current reduction in organic premium over conventional prices could become even more of an issue to organic farming, particularly whilst organic feed remains relatively expensive in comparison to conventional prices, but producers may be able to find opportunities for cost reductions that allow profitability to be maintained with lower premiums, particularly if the general level of prices received is higher than it has been in previous years.

4. Livestock

4.1. Breeding livestock numbers

Producers were asked to provide details of organic breeding livestock retained on their holdings at 31st October 2008 (Table 16). The retained livestock data was raised (multiplied up) to provide an estimate of total Welsh retained organic breeding stock numbers, based on the surveys return rates for each sector. This data can be compared to OCW's analysis of Defra 2007 certification statistics, providing some validation of both sets of data.

The data indicate that ruminant classes of livestock were well represented by the survey, and that survey calculated totals are within an acceptable degree of error from that expected. We estimate that there were around 7-8000 breeding cows, 120,000 breeding sheep and 10,000 organic dairy cows in Wales in 2008, all with associated young stock. Pig numbers are very low in Wales and, with a small number of producers, the level of error can become far greater, though it could be estimated that there are around 50 organic breeding sows. There appears to be a significant difference in the numbers of laying hens, as the actual survey collected data accounted for more hens than the Defra data, and when raised to full Welsh level results in a much higher number. The Defra laying hens figure is significantly below 2006 levels, so it is likely that either Defra data is not correct (due to missing data in returns from certifiers) or that significant numbers of hens have become organic in 2008.

Table 16 Organic breeding stock retained in 2008 and 2007, and calculated totals

	Return rate	2008		2007		Estimated totals	
		Retained on farm Head	n	Retained on farm Head	n	From survey data	Defra 2007
Breeding Cattle	74%	5871	208	6265	204	8000	6619
Repl. heifers	74%	829	131	786	118	1100	
Growing Cattle	74%	9519	220	8797	212	13000	
Breeding sheep	78%	81253	234	85087	229	125000	122733
Repl. ewe lambs	78%	15793	196	16050	193		
Growing lambs	78%	32114	160	31730	156	41000	
Dairy cows	89%	8770	67	8488	66	10000	9773
Repl. heifers	89%	2314	58	2504	60	2500	
Other dairy stock	89%	2682	45	2391	43	3000	
Sows	50%	15	10	14	7	30	73
Laying hens	64%	41370	24	34136	25	46000*	28079

With large numbers of farms converting to organic, the need for accurate information regarding the type and numbers of livestock converting is essential. Table 17 shows producer livestock numbers before and during conversion, and likely numbers to become organic.

The main changes occurring during conversion are a 30% reduction in the numbers of breeding sheep, with smaller reductions in beef animals, and an increase in the number of dairy cows, and small enlargement of pig and poultry sectors. When animal numbers are converted to livestock units (LU), livestock sectors can be directly compared, and overall a 16% reduction in LU is predicted during conversion. Livestock numbers are often reduced during conversion, but can then be built up again as grass/crop productivity improves.

Table 17 New converters' livestock numbers pre, during and post conversion

Livestock type		Pre-conversion numbers		In-conversion at Oct 2008		Projected when fully organic		Change during conversion	
		No.	LU	No.	LU	No.	LU	No.	LU
LU/head		13658		11765		11437		-16%	
Beef cows	0.75	2545	1909	2507	1880	2519	1889	-26	-20
Beef replacements	0.8	374	299	397	318	293	234	-81	-65
Finished beef	0.8	790	632	408	326	623	498	-167	-134
Store beef	0.65	2342	1522	2021	1314	1972	1282	-370	-241
Ewes	0.08	57003	4560	48949	3916	43708	3497	-13295	-1064
Ewe lambs	0.08	12682	1015	12452	996	9604	768	-3078	-246
Finished lambs	0.08	34278	2742	25316	2025	27224	2178	-7054	-564
Store lambs	0.04	4147	166	3723	149	3037	121	-1110	-44
Dairy cows	1	622	622	657	657	780	780	158	158
Dairy replacements	0.8	224	179	224	179	230	184	6	5
Sows	0.44	27	12	10	4	10	4	-17	-7
Laying hens	0.001	159	0	206	0	561	1	402	0

Table 18 indicates when the converting livestock will become organic, and despite fears of the sheep and beef markets in particular being flooded, it would appear that significant numbers of livestock will reach organic status until 2010 and 2011. Many producers have opted for consecutive conversion of land and livestock. Under organic rules for conversion, this means that first the land needs to be converted, which takes two years, then the breeding stock (12 months for cattle, 6 months for sheep) and only after that can organic status stock be bred and finished. Thus for some it could be as long as five years before organic marketable livestock can be fattened and sold. This time frame allows for further market development and for the current financial crisis to have lessened.

Table 18 Date of reaching full organic status for in-conversion livestock, including Welsh total estimate

Livestock type	n	2008		2009		2010		2011		Actual survey totals
		No.	%	No.	%	No.	%	No.	%	
Breeding beef	79	349	13%	267	10%	1130	42%	931	35%	2677
Breeding sheep	99	1790	4%	5377	11%	20371	42%	20416	43%	47954
Dairy	6	150	16%	445	49%	240	26%	75	8%	910
Pigs	4	0	0%	10	63%	4	25%	2	13%	16
Laying hens	4	37	16%	50	21%	150	63%	0	0%	237
Table birds	2	0	0%	21	100%	0	0%	0	0%	21
Livestock type		2008		2009		2010		2011		Calculated survey totals
		No.		No.		No.		No.		
Breeding beef		500		400		1700		1400		4000
Breeding sheep		2500		8000		30000		30000		70500
Dairy		200		700		350		100		1350
Pigs		0		15		10		5		30
Laying hens		50		50		225		0		325
Table birds		0		50		0		0		50

Organic and in conversion livestock numbers are summarised in Table 19, showing survey collected numbers and estimated Welsh totals, with comparison data. Breeding cattle differ slightly, whilst sheep and dairy numbers closely correspond. The data highlights the significant additional numbers of beef and sheep that will be entering the organic sector

over the coming years, whilst in contrast the pig and poultry sectors are unlikely to see significant change.

Table 19 Combined totals for organic and new converter livestock data, including Welsh total estimate

	Survey collected data 2008			Estimated Welsh totals 2008			Survey 2007	Defra 2007	Defra 2007 variance
	Organic	In-conv	Total	Organic	In-conv	Total			
Breeding Cattle	5871	2507	8378	8000	3800	11800	10500	8985	24%
Repl. heifers	829	397	1226	1100	450	1550			
Growing Cattle	9519	2021	11540	13000	3000	16000			
Breeding sheep	81253	48949	130202	105000	65000	170000	140000	179122	-5%
Repl. ewe lambs	15793	12452	28245	20000	15000	35000			
Growing lambs	32114	3723	35837	41000	4600	45600			
Dairy cows	8770	657	9427	10000	1200	11200	13000	11069	1%
Repl. heifers	2314	224	2538	2500	350	2850			
Other dairy stock	2682	0	2682	3000	0	3000			
Sows	15	10	25	30	15	45	55	82	-82%
Laying hens	41370	206	41576	46000	850	46850	41000	28102	40%

4.2. Livestock sales

2008 livestock sales recorded by the survey are presented in Table 20, with 2007 data for comparison. Sales are split into those sold to an organic market, as in conversion and as other non-organic sales, with Table 21 showing survey data raised to full Welsh level, for comparison with Defra 2007 data. Table 22 further divides the non organic sales by reason for a lack of premium/organic market, to help identify the primary causes for organic produce to be sold through conventional supply chains.

Table 20 Livestock farming produce (actual sales with 2007 data for comparison)

	n (2008)	Actual survey data							
		Total		Organic		Non-organic sales			
		2008	2007	2008	2007	In-conversion		Other reason	
						2008	2007	2008	2007
Breeding cattle	69	480	397	139	112	39	168	302	117
Store cattle	123	2444	3752	1819	2155	206	1317	419	280
Finished cattle	124	5084	5485	4799	4688	84	753	201	44
Breeding sheep	102	8584	4583	1548	995	662	825	6374	2763
Store lambs	75	14176	11212	5627	6303	1221	901	7328	4008
Finished lambs	195	67996	86558	49471	61192	2646	16818	15879	8548
Milk (thou' litres)	65	65588	61624	60739	52483	4792	9123	56	19
Eggs (thou' doz.)	21	830	524	830	508	0	11	0	4
Pigs (all classes)	34	158	207	133	205	0	2	25	0

4.2.1. Cattle sales

Finished cattle make up the majority of cattle sales, with the survey returns recording 5084 finished cattle sold, 4799 (94%) as organic, and 285 (6%) as conventional. When raised

up to full Welsh level, (Table 21) the estimated number of finished organic beef cattle is 6500, with around 400 beasts lost into the conventional market. Table 22 shows that increasing numbers of finished cattle are being sold as conventional either due to a lack of organic market, or failing to meet the required finishing specification. It is likely that some are choosing to sell as conventional due to the high conventional price, with minimal loss in value due to non-organic marketing. The 2007 survey highlighted only 13 finished cattle sold as non-organic due to a lack of market or failing to meet the required finishing specification, the 2008 survey shows 151.

Organic store cattle sales were lower in 2008, at 1819, and estimated across Wales at 2500 organic animals. Excluding in-conversion sales, other non-organic store cattle sales have almost doubled. Breeding cattle sales show a similar trend, with increasing non-organic sales in relation to organic.

Comments from cattle producers were predominantly about the high costs of feed and the reduction in organic premium for beef. Some direct sellers said that they could not charge an organic premium to their customers, and that demand for organic beef was low in rural areas. Disease problems with TB also featured highly, causing major disruption with businesses. Some store cattle producers said there had been little or no demand for organic stores this year.

Table 21 Estimated total Welsh organic livestock sales by organic status (with 2007 data for comparison)

	Estimated total Welsh sales								Total inc. retained lambs	Defra 2007 estimate
	Organic		Non-organic sales				Total			
	2008	2007	In conversion		Other non-organic		2008	2007		
		2008	2007	2008	2007	2008	2007			
Breeding cattle	200	150	50	200	400	150	650	500		
Store cattle	2500	2700	300	1650	600	350	3400	4700		
Finished cattle	6500	5850	100	950	300	50	6900	6850		8500
Breeding sheep	2000	1300	850	1050	8200	3500	11050	5850		
Store lambs	7250	8000	1550	1150	9400	5100	18200	14250		
Finished lambs	63600	78000	3400	21250	20500	11000	87500	110250	133100	185000
Milk (thou' litres)	68000	60000	5400	10500	100	20	73500	70520		61000
Eggs (thou' doz.)	900	810	0	20	0	10	900	840		800
Pigs (all classes)	250	450	0	5	50	0	300	455		731

4.2.2. Sheep sales

The survey indicated that finished lamb sales were recorded at 67,996, and of these 49,471 were sold through an organic market, lower than in 2007. Estimated full Welsh organic lamb sales at 63,600 are 18% down from 2007 figures, while estimated non-organic lamb sales have risen to 20,500, nearly a third of estimated lambs sold from Welsh organic farms. The survey highlighted around 12,000 lambs sold conventionally due to failure to meet finishing specification or due to a lack of market, considerably increased from around 4500 last year. However, conventional prices were much higher, potentially providing some producers with an acceptable return. It would be hoped that the considerable number of lambs retained on organic farms at 31st October 2008 (41,000, see Table 16, page 18), would enter the organic market, especially due to a shortage of supply after Christmas.

The store lamb market was severely affected by Foot and Mouth disease in 2007; however it would appear that even more lambs have been sold conventionally in 2008 with over 50% of organically produced store lambs sold conventionally. When raised up to full Welsh level approximately 9400 lambs have been lost from the organic sector, though this may help to ensure that lambs retained through the winter can be sold through organic channels. It is likely that some producers have chosen to sell organic lambs conventionally due to high conventional prices as well as lack of demand for lighter weight lambs, and the inability of upland farms to carry stock through the winter.

It would appear that organic breeding sheep sales are still difficult, despite increased organic sales of 1548, 6374 sheep were sold conventionally, around three quarters of total sales, the majority sold conventionally due to a lack of market.

With conventional prices as high in 2008 as organic prices were in 2007, many producers are opting to sell as conventional because they are happy with the price they were offered, not because of the lack of market – this led Dunbia and others to offer minimum price contracts for the first time, in a bid to encourage producers to hold on to their livestock for the organic market, but recently conventional prices have gone above this minimum and the organic prices paid have had to follow suit (see price charts, page 9-10).

Sheep producers' main concerns were similar to beef producers, a reduction in the organic premium and high feed costs, with some concern at the number of sheep now in-conversion. There is still a problem with the marketing of lighter lambs, and there are difficulties finding customers for organic store lambs. Some producers also cited that there were problems selling small numbers of lambs to processors, as abattoirs required large groups of similar specification lambs.

Table 22 Non-organic livestock produce sales split by reason for lack of organic market

	Split of non-organic sales by reason for lack of premium									
	Due to in-conv status		Due to finishing spec		Due to lack of organic market		Due to extended organic vet		Due to other reasons	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Breeding cattle	39	168	13	0	171	25	0	nd	118	92
Store cattle	206	1317	38	23	172	41	0	nd	208	216
Finished cattle	84	753	34	8	117	5	0	nd	50	31
Breeding sheep	662	825	166	0	5546	1206	0	nd	662	1557
Store lambs	1221	901	687	424	5725	3072	305	nd	611	512
Finished lambs	2646	16818	4082	1577	7939	3151	265	nd	3593	3820
Milk (thou' litres)	4792	9123	0	18	44	0	0	nd	12	0
Eggs (thou' doz.)	0	11	0	0	0	0	0	nd	0	4

4.2.3. Milk sales

Organic milk sales rose to around 68 million litres in 2008, with very small quantities sold conventionally, however 2008 did see a little milk sold conventionally due to a lack of organic market. Estimated all Wales milk sales are close to 70 million litres.

Organic milk producers were concerned at the price of organic feed, and worried that some organic milk may have to be sold as conventional due to the credit crunch, and that too many farms were converting.

TB disease problems were also affecting some organic dairy farms.

4.2.4. Egg sales

Egg sales were reported at 830,000 dozen eggs, considerably higher than in 2007, with no eggs sold through conventional markets. There is some difficulty in estimating full Welsh egg sales due to the large scale of some producers, however a reasonable figure would be 900 thousand dozen organic eggs.

Some existing producers were concerned at the number of new laying enterprises being established, and high feed prices are affecting producers margins, some to the point of stopping egg production.

4.2.5. Pig sales

Reported pig sales were lower in 2008 than 2007, at only 158 across finished and breeding stock classes. Some sales were also non-organic, though the sample was too small to analyse the reasons. Organic pig sales estimated for all Wales were estimated at 250, though open to error due to the small sample.

4.3. Marketing routes

4.3.1. Finished meat, milk and egg marketing routes

Sales of livestock enterprises were recorded by the marketing route, indicating the sales split between markets, the average price received and the percentage sold to markets within Wales (- Table 23).

Finished cattle sales are split between sales through producer groups and direct sales to abattoirs, with producer groups gaining more of a market share, possibly due to a slightly higher price up 10% from 2007 at 310p/kg dw. Direct sales make up around 10% of both beef and lamb sales, with prices ranging from 540-585p/kg dw, though incurring greater costs as well. The proportion of direct sales within Wales has increased slightly for beef, and significantly for lamb. The majority of lamb sales remain direct to abattoirs, with producer group sales slightly reduced. Prices are 7% higher than last year, at around 300p/kg dw, with the majority of sales still to markets within Wales.

The Welsh organic dairy sector has grown in 2008, with 22% higher prices at around 33p per litre, and a greater proportion of sales going direct to processors. Direct sales of milk appear to be very limited, though attract a higher price if a market can be found.

In contrast to other sectors, around half of egg producers sell direct to consumers, though producers selling to producer groups or processors are the larger producers. Prices vary considerably by market route from an average of £2.69-£1.75 per dozen, with all surveyed sales to markets within Wales.

Table 23 Organic finished meat, milk and egg sales by market route

	Marketing routes			Average price			Sold within Wales		
	2008	2007		2008	2007		2008	2007	
Finished cattle	n	%	%	n	p/kg dw	p/kg dw	n	%	%
Producer Group	47	38%	31%	45	310	283	33	97%	96%
Direct to Abattoir	56	47%	54%	55	305	286	22	93%	89%
Direct sales	18	10%	11%	18	541	629	15	79%	72%
Other sales	6	5%	5%	5	293	273	2	75%	96%
Finished lamb	n	%	%	n	p/kg dw	p/kg dw	n	%	%
Producer Group	46	27.5%	31%	39	301	280	35	100%	97%
Direct to Abattoir	95	56.0%	54%	88	297	280	78	99%	99%
Direct sales	22	10.1%	10%	21	585	568	17	79%	49%
Other sales	14	6.4%	5%	4	355	263	10	85%	97%
Milk sales	n	%	%	n	ppl	ppl	n	%	%
Producer Group	50	77%	83%	49	32.6	26.9	33	94%	92%
Direct to Processor	15	22%	8%	15	33.5	26.9	4	100%	0%
Direct sales	0	0%	6%	0	0.0	43.2	0	0%	98%
Other sales	2	0%	2%	2	44.5	25.5	1	100%	100%
Eggs	n	%	%	n	p/dozen	p/dozen	n	%	%
Producer Group	4	17%	16%	3	175	154	1	100%	100%
Direct to Processor	4	15%	14%	3	190	198	1	100%	100%
Direct sales	13	47%	54%	10	269	258	8	100%	100%
Other sales	6	21%	16%	5	234	221	5	100%	100%

4.3.2. Store livestock marketing routes

The Welsh organic store market is small in comparison to finished livestock sales, but provides producers with an opportunity to adjust stock levels as necessary, and comprises sales of around 2500 cattle and 7000 lambs. Table 24 shows that over half of store cattle sales are direct to another producer, achieving a slightly higher average price than the 44% sold via a livestock market, with the remainder sold via an agent or a producer group. Store cattle prices have risen further than finished prices, by an average of 20% to around £566 per head, as a result of increased demand from cattle buyers, organic and conventional.

The majority of organic store lambs are sold through livestock markets, achieving a slightly lower average price (£28 per head), than selling direct to another producer. Store lamb prices are almost identical to 2007 levels, with a greater proportion sold into conventional markets, supported by higher conventional prices.

Table 24 Organic store livestock sales by market route

	Sales by market route		Average price				% sold within wales	Estimated Welsh organic store sales by market route
	%	n	2008		2007			
Cattle			£/head	n	£/head	n		
Direct to producer	51%	48	578	47	466	52	97%	1200
Livestock Market	44%	41	554	38	477	45	100%	1100
Via other route	6%	5	479	6	398	7	100%	200
Lambs								
Direct to producer	34%	11	30	11	31	24	100%	2400
Livestock Market	59%	19	28	18	28	26	100%	4200
Via other route	6%	2	-	-	38	23	100%	700

4.4. Perceptions of cost, price and production trends

4.4.1. Cattle trends

Table 25 indicates that 53% of producers believe prices have risen over the last 12 months, but that only 17% think that prices will continue to increase. Price data in Chapter 2, Economic environment (page 7), show that organic beef prices rose by 10% in 2008, and market indicators suggest prices will remain stable or increase in 2009, supported by increasing conventional prices. Whilst prices may have risen, 71% of producers stated that their costs of production had risen, nearly 50% judging that costs had increased by more than 10%, and 42% are expecting costs to rise again in 2009, though costs of production data shows organic producers are still very competitive with conventional counterparts. Producers thought that their production numbers had fallen slightly in 2008, whilst numbers are expected to remain stable in 2009. Despite good prices, confidence is lower, only 34% believing current prices are high enough to continue, compared to 63% in 2007, and 43% thinking prices are probably or definitely too low to continue organic production.

Table 25 Organic finished cattle producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	118	19%	8%	34%	28%	37%	61%	8%	3%	3%	0%
Costs of production	114	48%	21%	23%	38%	26%	40%	1%	1%	2%	0%
Production numbers	114	11%	10%	6%	13%	62%	67%	13%	8%	7%	2%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
Sale price	120	4%	10%	13%	36%	63%	53%	13%	0%	7%	2%
Costs of production	121	15%	45%	27%	35%	51%	18%	6%	1%	1%	2%
Production numbers	121	11%	17%	8%	19%	64%	51%	7%	10%	9%	4%
Is price high enough to continue producing finished cattle organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
	137	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		4%	11%	30%	52%	23%	15%	29%	15%	14%	7%

Store cattle producers views are similar to finished producers; they recognise prices have risen in 2008, and expect price stability or a small increase in 2009. Costs of production are understood to have increased significantly, though possibly less than beef finishers due to less reliance on bought-in feeds, but costs are expected to rise further by 40% of store producers. During 2009 production levels are likely to remain similar with some producers expanding, some reducing. Store cattle producers are less pessimistic than finished producers, but 25% believe prices are too low to continue organic production.

In summary, cattle producers have seen prices rise in 2008, to around £3.40/kg dw for 5 months, now at around £3.00/kg dw with effectively no premium over conventional prices, but prices are expected to be stable in 2009, whilst costs continue to increase and, despite significant reservations that prices are too low to continue organic production, output numbers are likely to remain similar.

Table 26 Organic store cattle producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	98	17%	9%	31%	37%	42%	50%	8%	2%	2%	3%
Costs of production	100	35%	26%	33%	38%	32%	35%	0%	1%	0%	1%
Production numbers	100	4%	10%	5%	11%	72%	65%	7%	10%	12%	4%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	99	4%	8%	19%	40%	67%	44%	7%	7%	3%	1%
Costs of production	99	11%	46%	29%	30%	47%	21%	9%	1%	3%	2%
Production numbers	100	10%	13%	10%	14%	56%	49%	10%	19%	14%	5%
Is price high enough to continue producing store cattle organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	107	6%	6%	28%	50%	31%	15%	24%	22%	11%	7%

4.4.2. Sheep and lamb trends

46% of finished lamb producers think that prices have risen during 2008, (prices up around 10% in 2008) but only 15% think this increase will continue, 75% predicting prices to remain stable. Around 69% believe that costs rose in 2008, and 43% expect costs to rise further in 2009. Overall producers thought their production had fallen slightly, though predictions for 2009 would suggest output will be similar, despite 47% of producers indicating that prices were not high enough to continue organic lamb production.

Table 27 Organic finished lamb producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	152	11%	2%	35%	15%	41%	53%	9%	16%	3%	13%
Costs of production	150	39%	16%	30%	36%	30%	47%	0%	0%	1%	1%
Production numbers	150	3%	4%	7%	12%	75%	70%	7%	10%	9%	4%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	162	3%	6%	12%	33%	75%	42%	8%	12%	2%	7%
Costs of production	161	13%	40%	30%	39%	52%	20%	4%	1%	1%	1%
Production numbers	160	7%	5%	9%	16%	68%	61%	6%	12%	10%	5%
Is price high enough to continue producing finished lamb organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	174	3%	8%	22%	37%	28%	19%	23%	24%	24%	13%

Store lamb producers understand that their price has remained stable, and 81% believe it is likely to remain so. 50% feel costs of production have risen in 2008, though only 19% think they will rise further. 64% of store lamb producers believe that current prices are too low to continue organic production, but store lamb numbers have remained relatively stable and 2009 looks similar, with only a slight reduction likely.

Table 28 Organic store lamb producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	53	2%	1%	26%	10%	58%	41%	6%	19%	8%	29%
Costs of production	52	29%	21%	21%	42%	46%	37%	4%	0%	0%	0%
Production numbers	52	6%	9%	2%	12%	88%	71%	0%	5%	4%	3%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	53	0%	6%	17%	34%	81%	46%	2%	6%	0%	9%
Costs of production	53	8%	41%	11%	39%	75%	18%	6%	1%	0%	0%
Production numbers	53	6%	3%	0%	15%	81%	54%	8%	24%	6%	4%
Is price high enough to continue producing store lamb organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	53	2%	1%	11%	20%	23%	20%	26%	29%	38%	29%

The 2007 survey highlighted that 31% of producers responding were experiencing difficulties marketing light lambs, and 2008 appears no better with 41% of producers answering the question indicating they have had difficulties. It would appear that the problem is more apparent across the whole organic sheep sector in 2008, whereas in 2007 the problem seemed to be mostly in the LFA area.

Table 29 Organic producers experiencing light lamb marketing difficulties

	2008						Difficulties in 2007		Possible number of lambs available	
	Difficulties		No difficulties		Unsure		% n	% n	Lambs	n
	%	n	%	n	%	n				
Light lamb market problems	41%	66	55%	89	4%	6	31%	51	8013	40
LFA area sheep producer	43%	44	54%	56	3%	3	35%	46	4704	27
Non-LFA area sheep producer	38%	22	57%	33	5%	3	15%	5	3309	13

Since the light lamb marketing problem became apparent, industry bodies have been working to try and improve markets for smaller lambs, and producers were asked whether they were either aware or willing to participate in these initiatives. The vast majority of producers were not aware of or involved in these initiatives, and only 46% indicated a willingness to be contacted in relation to these promotions, highlighting some reluctance within the industry to help resolve problems.

Table 30 Organic lamb producers' awareness and willingness to participate in light lamb initiatives

	Yes		No		Unsure	
	%	n	%	n	%	n
Aware of initiatives	11%	18	83%	132	6%	9
Involved in initiatives	2%	3	95%	126	2%	3
Ok to be contacted	42%	66	46%	72	12%	18

Despite producers pessimism the organic sheep sector has seen improved prices in 2008, with further gains possible in 2009, and cost of production data highlighting superior organic financial performance, even in the event of no organic premium being paid.

4.4.3. Milk trends

Over 70% of producers felt prices had increased in the last 12 months, but only 21% thought a further increase was likely in 2009, despite 54% believing costs would rise further during the year. Producers generally thought their production had increased in 2008 and over a quarter feel they will produce more in 2009. Overall the dairy sector showed some confidence with 52% indicating prices were high enough to continue organic production, though 32% felt they were not high enough, many more than 18% in 2007.

Table 31 Organic milk producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	61	41%	21%	31%	66%	23%	13%	0%	0%	5%	0%
Costs of production	61	74%	48%	18%	37%	7%	15%	0%	0%	2%	0%
Production volume	61	11%	6%	13%	21%	66%	68%	5%	5%	5%	0%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	64	5%	22%	16%	56%	66%	19%	9%	3%	5%	0%
Costs of production	63	14%	61%	40%	38%	35%	0%	8%	2%	3%	0%
Production volume	62	8%	9%	19%	38%	66%	52%	2%	2%	5%	0%
Is price high enough to continue producing milk organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	62	10%	15%	42%	50%	16%	18%	24%	15%	8%	3%

4.4.4. Pig and table poultry trends

Results were quite mixed for pig and table poultry sectors, with 42% seeing a sale price increase, but 42% also seeing a price decrease in 2008. Most producers felt 2009 would be better with most expecting little or an upward change. Most producers had seen cost increases in 2008, and over half were expecting further increases in 2009. Production numbers may well vary as some producers have and are likely to increase numbers, others are expecting to decrease. In 2007 producers had opposing views of whether current prices were high enough to produce organically, whilst in 2008 54% were unsure, probably due to external factors that may influence their market.

Table 32 Organic pig and table poultry producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	5	0%	6%	42%	47%	17%	47%	25%	0%	17%	0%
Costs of production	5	67%	33%	17%	42%	17%	25%	0%	0%	0%	0%
Production volume	6	33%	13%	0%	11%	50%	65%	0%	6%	17%	6%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	7	17%	24%	25%	17%	46%	60%	0%	0%	13%	0%
Costs of production	7	17%	69%	42%	18%	29%	13%	0%	0%	13%	0%
Production volume	7	29%	0%	0%	26%	58%	38%	0%	17%	13%	20%
Is price high enough to continue producing pigs and poultry organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	7	0%	11%	17%	37%	54%	0%	17%	26%	13%	27%

4.4.5. Egg producer trends

Half of egg producers have experienced price increases in 2008; half felt prices had remained the same, with similar results expected in 2009. Costs of production were thought to have risen in 2008, 73% believing by more than 10%, and 65% expecting

further increases in 2009. Production volume in 2008 was down by more than 10% on 23% of holdings, though only 15% expected a reduction in 2009, the majority expecting their output to be similar. Confidence was reasonable amongst producers, though 29% thought current prices were definitely not high enough to continue organic production, up from 9% in 2007.

Table 33 Organic egg producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	20	14%	11%	36%	32%	50%	57%	0%	0%	0%	0%
Costs of production	20	73%	3%	14%	52%	14%	45%	0%	0%	0%	0%
Production volume	15	14%	10%	14%	21%	50%	45%	0%	0%	23%	24%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
Sale price	20	25%	13%	25%	48%	45%	32%	0%	3%	5%	3%
Costs of production	20	35%	6%	30%	65%	30%	26%	5%	0%	0%	3%
Production volume	20	5%	23%	15%	32%	65%	42%	0%	0%	15%	3%
Is price high enough to continue producing eggs	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
	21	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		0%	12%	48%	47%	19%	15%	5%	18%	29%	9%

Poultry producers were asked for information related to the purchase of chicks and young birds, and despite low numbers of organic poultry in Wales data is shown in Table 34, below. Purchases of replacement laying hens are considerable, with the majority paying around a 14% premium for Welsh organic birds. Availability of organic replacements does however seem to be low with 13 producers indicating an average rating of difficult availability. Table bird purchases seem to be similar, higher in number, but with a similarly difficult level of availability, and too little data to comment on price.

Table 34 Chicks purchased, price and availability

		Layers		Table birds	
		number	n	number	n
Chicks bought	Org	31308	11	801500	3
	Conv	53	3	-	1
Price per head	Org	6.64	11	1.78	3
	Conv	5.83	3	-	1
% Welsh	Org	100	2	0	0
	Conv	100	3	0	0
Chick availability	Org	3.1	13	3.25	4

* Chick availability rated from 1=Good, 2=Sufficient, 3=Difficult, 4=Poor, 0=Don't know/no view

4.5. Livestock feed & fodder

The beef sector's feed requirements are largely sourced as compound feed, with only 6% fed as cereals and 1% as straight proteins. The sheep sector uses considerably less feed than the beef, with compound feed making up around 70% of the total, whilst the dairy sector uses around half the feed of the beef sector, but with more reliance on straight cereals and proteins. All ruminant enterprises have similar characteristics with around 75% of cereals and 40% of protein home grown. Prices are also similar, compound feed averages ranging between £340 and £380 per tonne. Cereals average at about £300/tonne, protein prices are more variable, ranging from £330 up to £600 per tonne. Welsh organic ruminant feed requirement is calculated to be around 37,500 tonnes for fully

organic farms alone, converting farms are in addition to this. With many UK arable producers experiencing difficulties selling their crops this year, as a result of compounders sourcing imported feeds in advance, it is likely that straights could be available at lower prices in the short to medium term.

The pig and poultry sectors are almost entirely reliant on bought-in compound feed, averaging at £425 per tonne, considerably more expensive than ruminant feed. Estimates of total organic feed requirement for pig and poultry sectors are difficult to calculate due to small sample sizes, but would be expected to be in excess of 100,000 tonnes.

Table 35 Organic livestock feed use, proportion bought-in, prices and availability (fully organic holdings only)

		Feed used		Home-grown feed		Bought-in feed		Feed prices		Feed availability*	
		t	n	%	n	%	n	£/t	n	rating	n
Beef	Cereal	1246	58	75%	49	25%	17	290	22	2.0	50
	Protein	194	10	39%	7	61%	10	329	10	2.2	18
	Compound	18466	223					380	77	1.9	64
	Forage			100%	154	0%	6	90	3	1.7	48
Sheep	Cereal	267	33	71%	29	29%	12	301	12	1.9	26
	Protein	28	9	38%	5	63%	8	603	10	2.0	17
	Compound	649	106					382	102	2.0	82
	Forage			98%	123	2%	8	206	5	1.6	40
Dairy	Cereal	1453	20	79%	16	21%	5	293	9	1.8	19
	Protein	341	8	42%	4	58%	5	441	6	2.3	12
	Compound	7584	54					341	51	1.9	49
	Forage			97%	34	3%	7	82	7	1.8	12
Total for ruminants	Cereal	2965	111	75%	94	25%	34	295	43	1.9	95
	Protein	563	27	39%	16	61%	23	458	26	2.2	47
	Compound	26699	383					368	230	1.9	195
	Forage			3	311	0	21	126	15	1.7	100
Pigs & Poultry	Cereal	111	9	27%	3	73%	7	374	6	1.9	7
	Protein	0	0	0%	0	100%	1	0	0	3.5	2
	Compound	73260	23					425	24	1.7	22

* 1=Good, 2=Sufficient, 3= Difficult, 4=Poor, 0=Don't know/No views

Difficulties in obtaining feed were identified in the 2007 producer survey, and came at a time when producers were cautious due to the removal of existing feed derogations for ruminants. 12 months later, Table 36 shows the majority of producers do not feel they have difficulties obtaining organic feedstuffs, and Table 35 above confirms this view, as average availability scores indicate sufficient feed is available. Feed prices continue to be a contentious issue, with 75% confirming prices had risen in 2008, and 40% expecting further increases in 2009, only 15% predicting a fall.

Table 36 Difficulties in obtaining organic feed, and changes in price

Difficulties obtaining:	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
	%	n	%	n	%	n	%	n	%	n
100% organic compound feed	15%	34	13%	29	25%	57	16%	37	32%	75
100% organic straights.	12%	21	9%	16	40%	68	18%	31	21%	36
Purchased feed prices;	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
	%	n	%	n	%	n	%	n	%	n
Over previous 12 mths	67%	163	8%	20	23%	55	1%	2	2%	4
Over next 12 mths	14%	33	26%	62	46%	112	10%	24	5%	11

Producers' main concern was the cost of purchased feed, though availability seems less of a concern than in 2007, helped out by a reduction in demand due to high prices.

4.6. Costs of production for milk, beef and lamb

Benchmarking data collected for 38 Welsh organic farms by the Welsh Farm Business Survey based at IBERS, Aberystwyth University, show that Welsh organic farms were generally producing better returns than conventional farms in 2007/8, before the credit crunch started to impact on the organic market. Organic output was higher or similar in all cases, with lower or similar variable costs. Where organic yields per ha were lower, overhead costs per kg were higher, as were the value of own resources used and support payments. Despite this, overall net returns per litre or kg were higher, although this does not necessarily translate to better per ha performance.

The net margin for organic milk at 9.4 pence per litre (ppl) was significantly higher than that for conventional at 5.6ppl. Organic production costs were higher at 18.9ppl, compared with 16.2 ppl for conventional, but the higher costs were more than offset by higher organic output (30%). Organic output was higher in 2008, increasing by 24% in 12 months, with very similar costs, while conventional prices rose by only 19%, and costs went up by 14%. Milk yields were similar, though organic milk commanded a considerably higher price, and whilst organic feed costs were slightly higher, other variable costs were similar. Sensitivity analysis shows that if conventional prices were paid for organic milk, organic farms would be at a disadvantage, and whilst this unlikely to happen in the short term, producers need to bear in mind that organic farms have higher costs, and look at ways to reduce them, to remain competitive.

Organic finished beef production in 2007/08 showed a considerable improvement, with a net margin of 4p/kg DW compared with -38p/kg for conventional beef. Variable costs were almost identical, higher organic overheads per kg (mainly due to lower yield per ha), more than offset by the greater output value. Net margin for organic breeding beef at -118p/kg LW was lower than conventional beef at -69p/kg, mainly due to lower output per hectare. Organic variable costs were lower than conventional, as was output, but organic fixed costs were higher per kilogram. When support payments were included in the net margin however there was little difference between the two systems, with organic at 47p/kg and conventional at 57p/kg.

Both organic and conventional lamb net margins were negative, at -44p/kg DW and -71p/kg DW respectively. Organic output was higher as a result of higher prices, while variable costs were lower and overheads higher. The organic net margin including support payments was 77p/kg or £200/ha, while conventional remained negative at -43p/kg or £-110/ha.

During 2008 the price differential between organic and conventional meat has contracted, to a point where the organic premium for beef has almost evaporated, and for lamb is considerable reduced from a year previously (see market information, page 7). Lower differentials between organic and conventional prices mean it is likely that this relatively favourable picture may look less good in 2008/9.

To understand the possible affects of similar prices, the last row of Table 37 and Table 38 show the net margins if produce was sold at conventional prices, and highlights that although margins are reduced they are likely to remain superior or at least similar to conventional margins. It does however highlight the need for organic producers to be aware of their costs of production, and reduce them where possible. Purchased feed remains the largest cost, and could possibly be reduced through better use of forage, or by growing alternative feeds, to replace purchased concentrates.

Table 37 Welsh organic and conventional milk production costs and margins (pence per litre), 2006/7 and 2007/8, with additional margins shown assuming same price for organic and conventional sectors

Year	Milk (ppl)			
	2006/7		2007/8	
	Organic	Conv.	Organic	Conv.
<i>Production system</i>				
<i>Holdings (n)</i>	10	113	8	107
Yield/ha	11152	14234	13460	12929
Price/litre/kg	22.1	17.2	27.6	20.6
Total output	22.8	18.3	28.3	21.8
Feeds	5.0	4.2	6.5	5
Veterinary and medicines	0.7	0.6	0.6	0.7
Forage	1.4	1.7	1.8	1.8
Other variable costs	2.1	1.5	1.8	1.7
Herd replacement	1.8	0.7	1.0	0.9
<i>Total variable costs</i>	<i>11.0</i>	<i>8.7</i>	<i>11.7</i>	<i>10.1</i>
Gross margin	11.8	9.6	16.6	11.7
Labour	1.3	0.8	0.8	0.6
Power and machinery	2.1	1.8	2.5	2.1
Land and buildings	1.5	1.1	1.9	1.5
General farm costs	1.1	0.8	1.0	0.8
Rent and finance	1.6	1.0	1.0	1.1
<i>Total fixed costs</i>	<i>7.6</i>	<i>5.5</i>	<i>7.2</i>	<i>6.1</i>
Total costs	18.6	14.2	18.9	16.2
Net margin	4.2	4.1	9.4	5.6
Net margin per ha	468	584	1265	724
Value of farm family's own resources	4.7	5.4	5.9	5.7
Net margin incl. own resources	-0.5	-1.3	3.5	-0.1
Tir Mynydd, agri-environment	0.5	0.3	0.3	0.5
Organic Farming Scheme support	0.7	0	0.3	0.0
Single farm payment	3.4	3.6	2.8	3.5
Net margin incl. support payments	4.1	2.6	6.9	3.9
<i>Net Margin</i>	<i>(assuming 26ppl for both sectors)</i>		8	11
<i>Net margin incl. support payments & own resources</i>	<i>(assuming 26ppl for both sectors)</i>		5	10

Table 38 Welsh organic and conventional beef and lamb production costs and margins (pence per kg), 2006/7 and 2007/8, with additional margins shown assuming same price for organic and conventional sectors

Year	Breeding beef (liveweight)						Trading beef (deadweight)						Lamb (deadweight)					
	2006/7		2007/8		2006/7		2007/8		2006/7		2007/8		2006/7		2007/8			
	Organic	Conv.	Organic	Conv.	Organic	Conv.	Organic	Conv.	Organic	Conv.	Organic	Conv.	Organic	Conv.	Organic	Conv.		
Production system																		
Holdings (n)	22	47	21	51	25	26	19	19	19	19	73	24	107	107	107			
Yield/ha	259	268	229	284	96	217	155	241	169	228	228	258	256	256	256			
Price/kg	107	107	118	110	322	212	317	217	292	228	228	266	219	219	219			
Total output	118	122	122	126	340	241	395	274	293	237	237	271	227	227	227			
Feeds	15	15	14	16	71	52	74	67	43	54	38	55	55	55	55			
Veterinary and medicines	10	10	9	10	3	6	5	8	12	14	14	17	17	17	17			
Forage	25	30	24	30	26	48	31	46	21	34	24	37	37	37	37			
Other variable costs	26	16	22	13	41	33	37	29	23	21	24	22	22	22	22			
Herd replacement	17	14	7	17	-	-	-	-	39	28	39	26	26	26	26			
Total variable costs	93	85	75	87	141	139	147	150	138	151	139	157	157	157	157			
Gross margin	25	37	47	40	199	102	248	124	155	86	132	70	70	70	70			
Labour	9	8	6.1	9.4	12	16	14	15	13	9	12	8	8	8	8			
Power and machinery	65	46	68	45	102	68	104	73	75	59	72	61	61	61	61			
Land and buildings	30	18	29	21	39	28	36	26	29	23	27	22	22	22	22			
General farm costs	40	20	36	19	53	31	49	34	38	25	34	26	26	26	26			
Rent and finance	24	11	25	14	43	21	41	14	42	22	31	24	24	24	24			
Total fixed costs	168	103	164	108	249	164	244	162	197	138	176	141	141	141	141			
Total costs	261	188	240	195	390	303	391	312	335	289	315	298	298	298	298			
Net margin	-143	-66	-118	-69	-50	-62	4	-38	-42	-52	-44	-71	-71	-71	-71			
Net margin per ha	-370	-177	-269	-196	-48	-135	6	-92	-71	-119	-114	-182	-182	-182	-182			
Value of farm family's own resources	337	266	291	238	584	320	461	295	312	217	258	194	194	194	194			
Net margin incl. own resources	-480	-332	-409	-307	-634	-382	-457	-333	-354	-269	-302	-265	-265	-265	-265			
Tir Mynydd, agri-environment	134	63	131	100	268	46	178	64	133	53	108	54	54	54	54			
Organic Farming Scheme support	58	0	49	0	118	0	69	0	56	0	35	0	0	0	0			
Single farm payment	278	255	275	264	551	298	412	316	246	163	236	168	168	168	168			
Net margin incl. support payments	-10	-14	47	57	303	-38	202	47	81	-53	77	-43	-43	-43	-43			
Net Margin	(assuming a price of 300p/kgDW for both sectors)																	
Net margin incl. support payments	(assuming a price of 300p/kgDW for both sectors)																	

5. Horticulture and arable cropping

5.1. Horticulture

Horticulture makes up approximately 1% of organic land in Wales, but comprises of around 13% of all horticultural land in Wales, a higher proportion than organic land in Wales as a whole. Due to the large variety of crops, and varying markets supplied, collecting horticultural data has proved difficult in both 2007 and 2008 producer surveys; however useful data has been collected, and is displayed in Table 39 and Table 40.

Horticultural producers had suffered a difficult summer in 2008, though markets seemed to be available, as more producers commented on restrictions to their expansion than the need to reduce production.

Holdings producing mixed market crops and potatoes are the most prevalent, with considerable quantities of potatoes, roots, Brassicas and mixed crops produced. Prices vary considerably between crops, and by market route, though averages are shown, due to limited data availability. Selling via a wholesaler appears to be the most popular marketing route though considerable quantities are sold direct to the consumer.

Table 39 Horticulture production, prices and market split

	Total production		Average price		Market route			
	t	n	£/t	n	n	Bulk	Wholesale	Direct
Mixed market gdn	263	13	950	4	16	3%	39%	59%
Potatoes	921	11	500	9	10	28%	39%	33%
Leeks & onions	116	3	1568	3	no data	no data	no data	no data
Peas/Beans	2	2	800	2	no data	no data	no data	no data
Carrots & other roots	373	9	740	7	5	17%	42%	42%
Brassicas	130	4	no data	2	no data	no data	no data	no data
Top/soft fruit	1	3	no data	no data	no data	no data	no data	no data
Other hort. crops	8	3	no data	2	4	25%	25%	50%

Table 40 indicates that around 30% of producers feel prices have risen in 2008, and a similar number expect prices to rise further in 2009, though costs have risen and 35% expect further increases, no producers expecting them to fall. Production volume fell on 35% of holdings in 2008, whilst 24% expect their output to increase in 2009, only 15% anticipate a reduction. Confidence is highest amongst horticultural producers, with 59% believing prices to be high enough, a slight increase from 2007.

Table 40 Fruit and vegetable producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	24	4%	9%	29%	33%	58%	59%	4%	0%	4%	0%
Costs of production	24	25%	5%	42%	41%	33%	51%	0%	3%	0%	0%
Production volume	23	4%	12%	9%	17%	52%	55%	17%	4%	17%	12%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	25	8%	6%	20%	49%	64%	41%	4%	2%	4%	2%
Costs of production	24	4%	3%	33%	51%	63%	41%	0%	0%	0%	5%
Production volume	24	13%	18%	13%	32%	58%	49%	13%	0%	4%	2%
Is price high enough to continue producing fruit and vegetables organically?	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	25	20%	6%	40%	50%	24%	20%	8%	15%	8%	9%

5.2. Arable cropping

This sector accounts for around 4% (excluding temporary grassland) of Welsh organic land, with majority of production being produced for home feed. Table 41 highlights barley and oats as the most widely grown crops, though crops are often mixed with cereals and legumes sown mixed. The vast majority of produce sold went to another organic producer, with little sold to processors or grain traders. Average prices obtained by producers varied between £250 and £280 per tonne.

Organic arable producers had suffered a difficult harvest in 2008, with weed problems highlighted by some producers, and some indicating difficulties selling their crops for a reasonable price, particularly after increases in fuel and seed costs.

Table 41 Arable production, prices and market split

	Total production		Average price		Market route		
	t	n	£/t	n	n	Trader/processor	Another producer
Wheat	639	15	250	3	6	13%	87%
Barley	1015	31	282	9	10	6%	94%
Oats	1163	29	254	9	14	21%	79%
Triticale	383	5	no data	no data	no data	no data	no data
Peas & Beans	134	5	no data	2	2	no data	no data
Other crops	1059	13	265	4	4	33%	67%

The majority of producers felt prices had remained stable in 2008, and a similar percentage felt they would remain at current levels during 2009. Costs of production were perceived to have risen considerably during 2008, and further increases were expected in 2009, whilst production levels were likely to remain similar. Confidence was lower than in 2007, though still higher than most organic sectors, 46% believing prices were high enough to continue organic production.

Table 42 Grain & pulse producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	57	9%	58%	18%	21%	60%	21%	4%	0%	11%	0%
Costs of production	66	59%	23%	24%	49%	17%	26%	0%	0%	0%	2%
Production volume	66	12%	11%	15%	13%	56%	68%	3%	2%	14%	6%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	59	7%	28%	10%	30%	63%	35%	10%	7%	10%	0%
Costs of production	66	23%	42%	33%	40%	35%	19%	9%	0%	0%	0%
Production volume	66	12%	27%	3%	17%	68%	52%	6%	2%	11%	2%
Is price high enough to continue producing grains and	n (2008)	Definitely		Probably		Not Sure		Probably Not		Definitely Not	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	61	10%	36%	36%	47%	41%	13%	10%	2%	3%	2%

6. Fodder

The main fodder crop sold was grass silage, with approximately 1200 tonnes of sales recorded, though a significant quantity of arable silage has also been sold. Prices were similar for both grass and arable silage at £40-45 per tonne, with most sold to other organic producers. A small amount of organic hay was sold, three quarters sold to organic customers.

Table 43 Forage sales quantity and price

	Forage sold					
	Tonnes	n	£/t	n	% Org	
Grass silage	1161	16	45	12	81%	
Arable silage	369	7	43	6	100%	
Maize silage	0	0	0	0	nd	
Grass Hay	52	4	63	2	75%	
Fodder Roots	0	0	0	0	nd	

The price of fodder was thought to have remained stable in 2008 by 95% of producers, despite the 2007 survey that identified 82% of producers expected prices to rise significantly in 2008. In contrast to last year 89% expect the price to remain the same in 2009. Costs were thought to have risen slightly in 2008, with a similar small increase in 2009. Most producers' production volume remained and will remain the same.

Table 44 Fodder producer perceptions of price, cost and production trends

Over previous 12 months (to Oct 2008)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	75	3%	19%	1%	22%	95%	59%	1%	0%	0%	0%
Costs of production	74	8%	13%	11%	44%	81%	44%	0%	0%	0%	0%
Production volume	77	5%	10%	3%	23%	88%	61%	3%	3%	1%	3%
Over next 12 months (to Oct 2009)	n (2008)	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale price	80	1%	82%	6%	11%	89%	5%	0%	0%	4%	2%
Costs of production	79	5%	-	11%	-	84%	-	0%	-	0%	-
Production volume	81	2%	-	4%	-	90%	-	2%	-	1%	-

7. Direct sales

Fifty four respondents indicated they were involved in some form of selling direct to the public. Table 45 shows that meat and vegetables were the two most widely sold products.

Table 45 Main type of produce sold

	n	% of direct sellers
Meat	29	60%
Dairy	3	6%
Eggs	5	10%
Vegetables	10	21%
Fruit	0	0%
Mixed Content	1	2%

Only 11% of direct sellers thought sales had fallen, whilst 46% believed their sales had risen, lower than 66% in 2007. Only two producers commented on their likely sales performance in 2009, an indication of producers' uncertainty in financially challenging times.

Table 46 Direct sales changes during previous and next year

	n	Up by 10%+		Up by 1-10%		No change		Down by 1- 10%		Down by 10%+	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Over previous 12 mths	28	21%	37%	25%	29%	43%	23%	7%	6%	4%	6%
Over next 12 mths	2	nd	37%	nd	22%	nd	33%	nd	6%	nd	2%

Around twenty producers operate a box scheme, with an average distribution radius of nearly 100 miles, less than the 2007 survey figure, as is the average box price at £48 per box. The number of boxes per week is less in 2008 probably due to a different sample, rather than a significant change in the market.

Table 47 Box scheme data for previous and next year

	2008		2007	
	Value	n	Value	n
Distribution radius (miles)	86	19	148	14
Average Box Price (£)	48	14	61	14
No. of Boxes/Week	23	12	158	11
Weeks scheme Operates	34	16	31	12

8. Conclusions and recommendations

The 2008 Welsh organic producer survey has built upon the 2007 survey, providing a detailed insight into the Welsh organic sector. As in the previous report the results are summarised in the executive summary, and show that the sector remains strong, but with some concerns from producers.

Producer concerns and solutions

1. **Reduction in organic premium** was the primary concern of organic farmers, evident in some sectors. Beef and sheep farmers are being paid around £3.00/kg DW, which many view as too low, particularly when conventional prices are similar, and organic feed is still at around £360-£400/tonne. There is however evidence that the credit crunch has not reduced demand for organic products as much as has been widely reported, and TNS retail sales data shows that sales are at least as high as in 2007
2. **Lamb market is over-supplied.** The seasonal sheep market has periods of over and under-supply, meaning there may be periods when producers cannot easily sell their lambs as organic. If producers wish to maximise their returns they need to be marketing lamb more evenly over 12 months, with processors currently offering attractive forward prices due to a shortage of Spring lamb supplies.
3. **Apprehension at the numbers of sheep in-conversion** is to be expected considering the large numbers now in conversion. Due to the time taken to convert, it will be two years before large numbers of extra organic lamb comes to the market, and industry bodies need to be proactively building markets to accommodate the extra volume.
4. **Difficulty marketing light lambs** continues to be a problem for some producers. Although difficult for individual producers to solve, industry stakeholders need to help build sustainable supply chain routes, which will probably involve developing foreign markets.
5. **Organic feed prices** continue to make media headlines, and although they are higher than conventional feeds, do not appear to be significantly harming the industry. Costs of production data shows that many organic livestock farms have reduced usage in response to high prices. Ruminant farmers have the option of increasing forage quality and utilisation to reduce bought-in feed, which in turn will improve supply, and reduce feed prices for poultry and pig sectors.

Outlook

Industry stakeholders and producers themselves need to be proactive to develop existing and new markets. The low number of lamb producers willing to engage in light lamb marketing initiatives shows a lack of trust in industry development bodies, and highlights the need to build close links to primary producers. The organic sector needs to tackle perceptions that organic produce is always more expensive and needs to re-emphasise the pivotal role it can play in achieving societal goals such as the environment and animal welfare, and whilst producers are not content with similar organic and conventional prices, it allows consumers to move to organic produce with minimal extra outlay. It is therefore envisaged that organic produce sales can continue to increase, despite the credit crunch, and therefore absorb newly converted holdings sales as their produce comes to the marketplace.