Organic red meat development in Wales

A report prepared for Organic Centre Wales

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Executive summary and key recommendations

Much of the recent expansion of organic farming in Wales in associated with red meat production. Of the 56,621 hectares that will be fully organic by 2004, probably 80% is permanent grassland (assumption from Soil Association OFFR, 2002), the majority of which will be associated with beef and lamb production. The following factors suggest that the development of a strategy (which may encompass several sub strategies) for the red meat sector in Wales, to include production, processing, retailing, and consumer awareness, is vital to minimise disruption to the developing sector:

- Most of the organic red meat production in Wales is new.
- Other regions of the UK are seeing similar increases organic red meat production.
- The retail market for organic red meat in the UK as a whole is relatively new and untested.
- The organic red meat retail market in Wales is small.
- Import channels for organic red meat have been established.

Due to land area still in conversion in 2003 (much of which is in second year conversion) and the long production cycles for red meat in general, but particularly beef, 2004, 2005 and 2006 are still likely to result in increased organic red meat coming onto the market. One significant unknown factor is the risk that some producers may choose to revert to non-organic farming as their Organic Farming Scheme agreements come to an end in 2004 and 2005. This decision is likely to depend on the success of the organic system on their farm at that time and whether viable options exist outside the organic sector. Factors affecting the viability of the organic farming system will focus on profitability from production (access to good prices and costs of production), and income from the first (direct support payments) and second (agri-environment) pillars of the CAP.

This report concentrates on the key issues important in maintaining organic red meat production system profitability and stability, but also recognises the influence of direct support and agri-environment payments.

Farmer and marketing co operation

There is recognition in Wales that improved producer co-operation, and better co-operation throughout the supply chain is desirable. It is recommended that all producer groups in Wales link in with the existing national Federation of Organic Livestock Marketing Groups. This approach allows groups to work together to streamline supply chains and improve quality and consistency of supply. This could enable a greater amount of meat that is processed in Wales to be sourced from Wales. The federation approach with its collective strength allows maximum efficiencies to be made.

There are already effective and respected organic red meat marketing models existing in Wales. These structures and models should be built upon, with encouragement given to improve collaboration.

The Federation of Organic Livestock Marketing Groups must work hard to accommodate the majority of producer groups, providing support to develop local and branded markets where appropriate. Producer groups should recognise the importance of preventing fragmentation in wholesale carcass markets, accepting the efficiencies that could be made by developing trading links with larger marketing groups.

Retailers and processors should support producer marketing groups working through the Federation where they deliver high quality services. For their part, producer groups must work closely with processors and retailers to gain trust and confidence that they can deliver continuity and quality in a new trading model of openness and transparency.

There needs to be increased communication between producer groups, strategy makers, and public bodies to ensure that development funding is directed to the benefit of the red meat supply chain as a whole, not just one sector or marketing group at the possible expense of another.

Branding

The development of Welsh organic branding and the support of existing brands should be addressed. Work needs to be completed on the effectiveness and recognition of a Welsh organic brand to consumers in Wales and then separately, outside Wales.

Early indications (from recent Taylor Nelson research) are that the best use of a Welsh organic brand would be to market local or regional product to local people rather than trying to place a Welsh brand nationally where it is just competing with other regional or national brands. However, this branding strategy for the organic sector should be discussed at a UK level.

Branding should not just rely on the regionality of the product but also needs to focus on quality aspects such as length of hanging of beef and specific breeds etc. For producers to gain maximum benefit from branded products they would have to retain responsibility for the product through the supply chain. This may well require them to establish and market the brand themselves. The supermarkets and the processors are key players in accepting and supporting branded products. The marketing groups through the Federation should enter discussions with retailers and processors regarding farmer group brands.

Direct and independent sales

Direct farm and independent sales offer a valuable alternative method of marketing organic red meat, shortening the supply chain, differentiating and controlling quality, and building links with consumers. 70% of producers wanted to see marketing strategies that facilitated a reduced reliance on supermarket trade. However, accepting that over 80% of organic produce is purchased through supermarkets, it is recommended that efforts are put into developing new and independent markets and also, improving trading relationships with the supermarkets.

Producers wishing to market meat direct to the public should be offered support and training to research and identify market opportunities, and increase awareness of environmental health and food hygiene regulations. The Food Centre Wales already gives valued advice on farm diversification and setting up new businesses connected with the food industry.

Licensing procedures for butchers, caterers, pubs and restaurants etc. need to be addressed. The Soil Association is presently developing a code of conduct whereby someone who wishes to sell organic produce can pay a nominal amount to be registered with the scheme and then operate an open book policy. Rather than have a specific annual inspection they would be subject to spot inspections. These initiatives need to be developed in order to provide access to the widest possible organic market opportunities.

The Powys Public Procurement initiative to increase organic and local food for public procurement needs to be furthered. It is clear that considerable education and promotion of the issues involved would be required for this approach to be adopted and this is something that the industry itself is unlikely to be able to achieve. Lobbying from groups such as the Soil Association and the support of other food groups would be essential. A strategic and institutional direction towards organic local public procurement is essential.

Consumer awareness

Work on consumer education needs to be expanded in order for consumers to appreciate the benefits of buying organic produce and understand the reasons behind organic produce prices.

Production and processing issues

The over thirty month scheme causes problems for those keeping slower maturing breeds as they cannot always finish them to the specifications of the multiple retailers in this time. These slower maturing breeds may be the most suitable for organic systems. The over thirty month scheme is currently under review, but there is a wider issue on whether organic stock is best served by being classified under the present rigid grading system. A system needs to be developed for recognising the benefits of better eating quality of meat as a marketing tool, and, consumers need to be educated to recognise that uniformity does not necessarily mean quality.

Some producers require training to improve the quality of stock that is presented to the market place. This particularly applies to those producers identified as ‘hobby farmers’. Even if the classification system for organic meat is changed these producers are likely to need training in feeding and finishing management.

There needs to be continuation and expansion of benchmarking work to give producers a better understanding of the costs of production and productivity and welfare guidelines. This could also help to bring confidence to those involved in the store trade market as they tend to have the greatest difficulties in setting an appropriate price.

There is a need for further work to be done on seasonality of lamb supply in order to reduce bottlenecks in production at certain points in the year and shortfalls in others. Producer groups already encourage people to spread their production as far as possible, and through the Federation approach this valuable work could be expanded. Work by producer groups through the Federation to liase with other producers abroad to achieve continuity of supply to processors without negative impacts on Welsh producers should be encouraged.

There is a need for additional organic slaughtering and independent processing capacity in Wales to satisfy demand from those who wish to become involved in direct and independent sales and to reduce transportation issues and costs. However, the development of the slaughtering and meat cutting sector is likely to be limited by grant funding, and funding decisions should be backed by strategic information regarding the requirements and direction of the organic sector.

Support payments and agri environment

Although not specifically covered in this report, the issues of CAP support arises frequently in discussions.

Agri environment support for organic farmers through a proposed organic stewardship type scheme should be developed, providing fair and adequate reward for organic farmers delivering resource, biodiversity, agricultural diversity, animal welfare, and social benefits. This type of support is seen as valuable in providing fair reward for organic farmers within the parameters of the ERDP, and is also a way of assisting organic produce to the market place at fair prices.

Proposed changes to the first pillar payments will impact on all farming systems. Effects on organic red meat farmers could be felt in several ways and this report has not studied this in detail. However, existing organic farmers may be disadvantaged in having their direct support payments set permanently at low levels in comparison to non organic farmers who have higher stocking rates or Arable Area Payments. Farmers who convert after payment structure changes are likely to have support payments set at higher levels, contributing to an unlevel support payment structure. Serious consideration should be given to changes in support payments that disadvantage the organic sector, particularly when the sector is desirable from a political perspective.

1. Background

Organic beef and sheep production has grown rapidly over recent years. Experience of oversupply (seasonal and import related problems) highlights the lack of market intelligence and consequent lack of a strategic development of this rapidly growing market. An increasing imbalance of store lamb producers and finishers also affects the stability of the market.

The need for accurate statistics and forward projections has been addressed in the project 'Improving market intelligence for organic beef and sheep production in Wales'. This project addresses the need to develop opportunities for the development of the sector and facilitate closer working partnerships along the supply chain as well as building confidence in the market.

The 2001 report Farming for the Future from the Welsh Assembly has paved the way for a new government strategy. Its vision for the future of Welsh agriculture focuses on collaboration between farmers and processors to produce high-quality, branded, value-added products. Supply chains are too long (particularly in the red meat sector) with most farmers having little contact with final customers. It was also recognised that consumers need to take more responsibility to understand how the food they eat is produced. Only with this knowledge can farmers hope to persuade growing numbers of consumers to pay more for higher quality and organic food.

This report was commissioned by Farming Connect via Organic Centre Wales and was written and produced by the Soil Association Producer Services Department in March 2003.

Objectives

Consultation of producer groups in Wales to encourage relationship building and partnership

- Research current and recent activities of producer groups relating to red meat marketing
- Identify potential for increasing the involvement of groups in the supply chain
- Identify problem areas and solutions

Investigation of relationships between producers, producer groups, processors and marketing groups.

- Identify and promote good models of supply chain partnerships
- Investigate problems in the supply chain, in particular from the processor point of view

Soil Association Producer Services

A key part of the work of Producer Services is the production of the Organic Food and Farming Report, which is an annual national assessment of developments in the organic sector. In compiling the report the Soil Association has established a reputation as a key provider of national statistics on the production, processing and marketing of organic products. Increasingly the Soil Association Producer Services is producing regional and enterprise-specific marketing intelligence reports. This particularly report will draw on a recently produced project looking at red meat marketing strategies in the South West, as well as the report ‘Improving market intelligence for organic beef and sheep production in Wales’.

The South West report is relevant to the Welsh position as the regions are similar in their main enterprises. Both regions have high numbers of livestock, predominantly beef and sheep. One major processor in the South West is also a major processor in Wales. There is also a lot of crossover in trade between the South West and Wales particularly with store stock for example. Reference to processors and producer’s comments in both the projects shows that there is significant overlap. The key recommendations from the South West report were:

- A South West organic meat brand should be developed. This would enable consumers within the region to recognise regional products, and it would also expand sales outside the region.

- Livestock finishing capabilities amongst farmers must be improved. In addition, producers should be encouraged to strive for improvements across a range of attributes within breeds – conformation and fat cover, growth rates, ability to convert feed and in particular forage, and the ability to resist parasites and disease. Breed development strategies for the organic livestock sector that recognise the principles of organic livestock production are recommended.

- There should be improved co-operation and co-ordination in the marketing of organic stock. There should be encouragement for farmers to co-operate in a structured way through regional producer marketing groups or co-ops, and in addition these groups should be nationally linked or co-ordinated.

- Support must be provided to enable existing smaller scale abattoirs and meat cutters to prosper. Whilst it is often argued that the South West has ample capacity in slaughtering, this ignores the restrictions placed on the development of local and independent trade through inadequate capacity to serve this sector. Regulatory, planning, and financial factors need to be reviewed to ensure that this sector not only prospers, but is encouraged to expand.

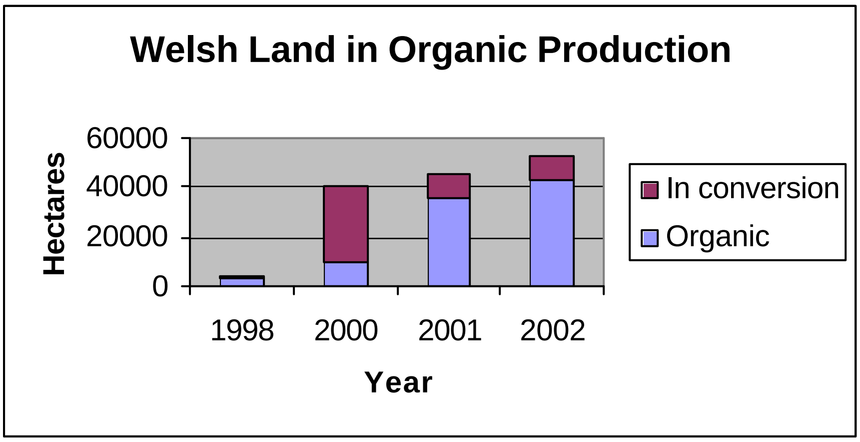
- Organic certification procedures for abattoirs and meat processors need to be reviewed. In particular there is an urgent need for procedures to be reviewed for independent butchers, caterers, wholesalers, hoteliers and restauranteurs, and those dealing with public procurement.

- Local organic public procurement models need to be examined and activated in the South West on a significant scale. This market has the potential to stimulate further expansion of organic production and local processing, bringing environmental and social gains.

2. Overview of the organic red meat sector in Wales

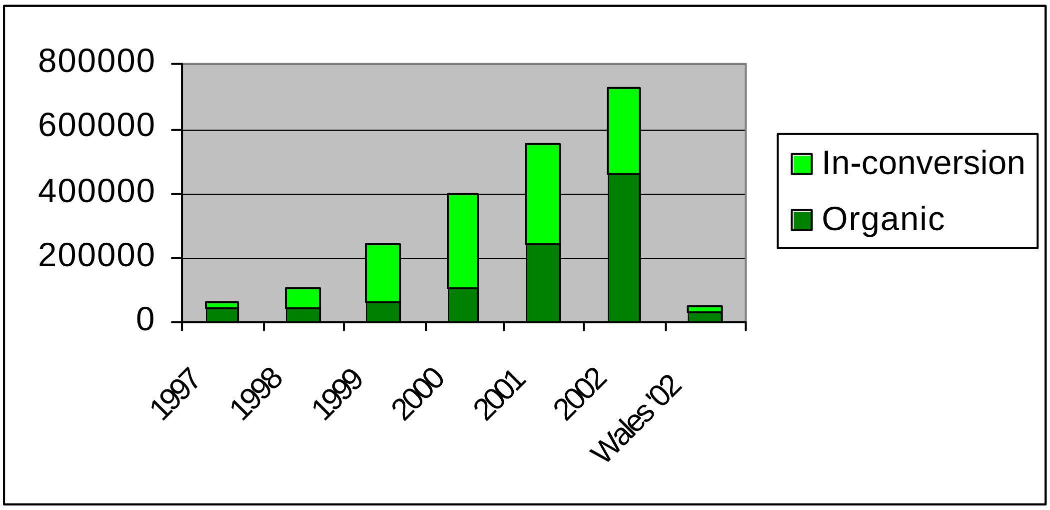
In June 2002 there were 38,740 hectares of fully converted organic land farmed in Wales (DEFRA). This is equivalent to 2.6 percent of all agricultural land in Wales. Based on the land currently in conversion, 48,827ha will be fully organic in 2003, which represents an increase of 26 percent compared to 2002. 56,621ha will be fully organic in 2004, representing an increase of 46 percent compared to 2002. This 56,621ha represents 8 percent of all organically managed land in the UK and 3.8 percent of all agricultural land in Wales. With 609 organic farmers and growers (DEFRA June 2002), Wales has 15 percent of all organic producers in the UK. Figure 1 below shows the increase in organic and in conversion land in Wales. These figures are preliminary results from Organic Centre Wales estimates and NAW statistics, which differ from the DEFRA figure above, but do demonstrate the trend.

Figure 1: Development of land area in conversion and organic in Wales



As can be seen in figure 1 and figure 2 below, the situation regarding land in conversion is now reversed with more land fully organic than is entering conversion. To meet the target of ten percent organic land area in Wales the area of land that is currently fully organic or in conversion would need to more than double.

Figure 2: Development of land area in conversion and organic in the UK



2.1 Organic beef and lamb market – UK

The numbers of organic beef cattle slaughtered in the UK increased by 80 percent from 2001 to 2002, rising to a total of 9,000. Numbers of organic lambs slaughtered in the UK have increased from 39,000 in 2001 to 109,000 in 2002. These increases are shown in figures 3 and 4. The key enterprises in Wales are beef and sheep production, and figures 5 and 6 show the increase in the beef breeding herd and sheep flock in Wales. These Welsh figures are preliminary results sourced from Organic Centre Wales estimates and NAW statistics which demonstrate the trend of increased organic production.

Figure 3: Number of organic beef cattle – UK

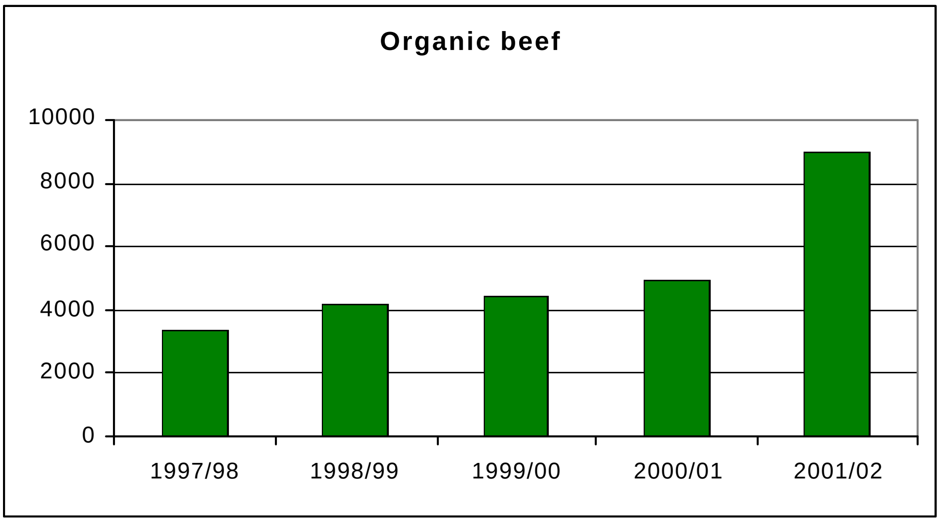


Figure 4: Number of organic lamb – UK

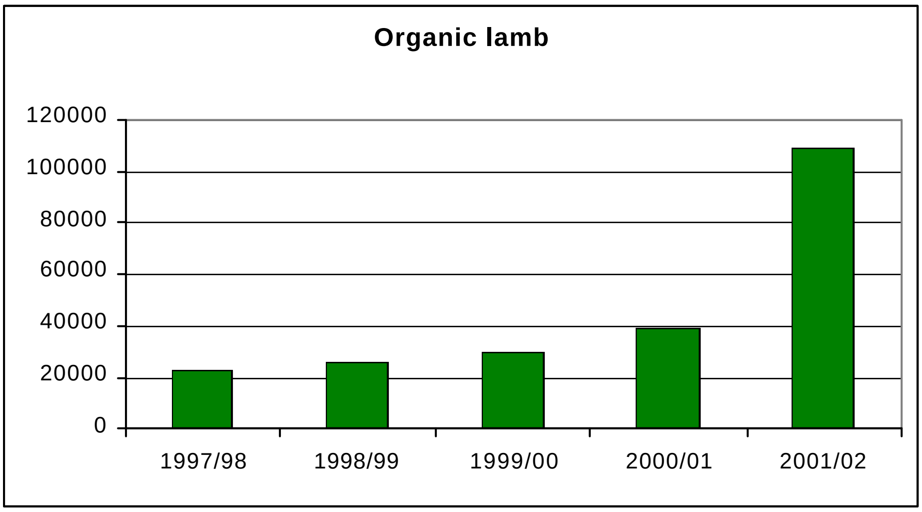


Figure 5: Number of organic beef breeding stock - Wales

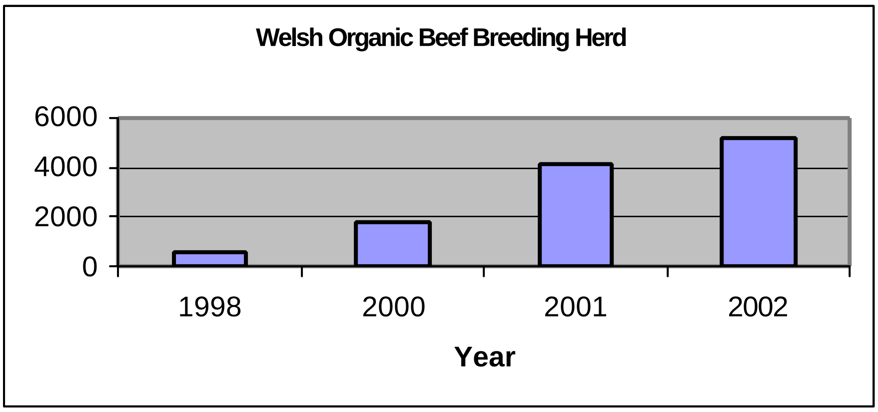
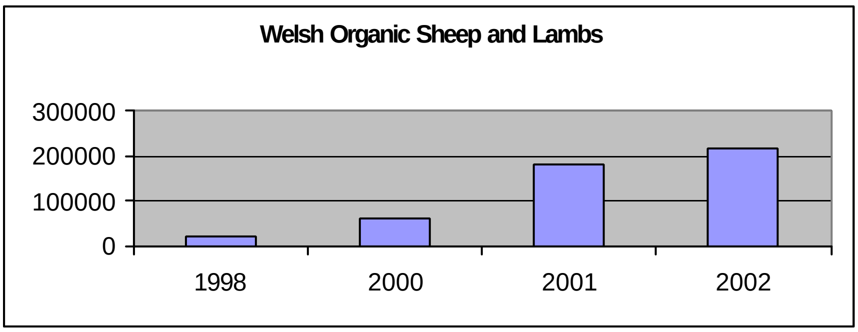


Figure 6: Number of organic sheep and lambs - Wales



2.2 Processing capacity in Wales

There are currently twelve abattoirs in Wales licensed to offer some form of organic meat processing. Two of these are specifically poultry abattoirs, leaving ten that deal with red meat. These range from very small operations through to large slaughtering and cutting plants. Most small licensed abattoirs have a limited weekly kill capacity and mainly offer a service to farmers wishing to market meat direct to customers. The larger operators work almost exclusively to supply the major multiple retailers, although some do offer a self-supply service for farmers wishing to sell their meat direct.

The larger meat processors in the region do not currently source meat exclusively from Wales. Purely in terms of numbers, current slaughtering capacity is adequate for the existing level of production. There is evidence of abattoir provision for increased production. One major abattoir has an organic licence, but takes no organic meat at present. This abattoir, like other large-scale abattoirs, could increase its organic capacity in the future. The sector where problems of limited provision may arise is meat processed for direct marketing.

Table 1 in the appendix shows information from the abattoir survey that was collected for the project 'Improving market intelligence for organic beef and sheep production in Wales'. This includes information on capacity and facilities and shows that six abattoirs have provision for private kill but only three offer a full processing service with one other just able to cut meat. Table 2 in the appendix shows that there are very few other licensed premises (non-slaughtering) that can offer further processing.

3. Methodology

3.1 Consultation of processors

Consultation of processors in Wales was achieved in three ways. Firstly a telephone survey of licensed organic abattoirs was conducted. This covered capacity, facilities and specific problems with organic red meat. The abattoirs that contributed to this survey are shown in table 1 in the appendix. Face to face interviews with John Dracup and Chris Gist of St Merryn Meats – a key processor in Wales – were also conducted and a focus group meeting was held that was attended by the following:

- Graham Lewis of Welsh Hook Meats, a processor
- Sue Fowler and Neal Pearson of OCW
- Dave Frost of ADAS
- Phil Stocker, Katrin Hochberg and Anna Bassett of Soil Association Producer Services.

3.2 Consultation of producer groups

Consultation of producer groups in Wales was achieved firstly by telephone interviews with representatives of groups in Wales. This included Bob Kennard of Graig Farm Producer Group, Bill Lawrence of Cambrian Organics, Tom Latter of Pembrokeshire Discussion Group and Trisha Powell of the Welsh Black Cattle Society. A focus group meeting was also held that was attended by the following:

- Bill Lawrence of Cambrian Organics
- Nigel Elgar of Graig Farm Producer Group
- Simon Lloyd Williams of The Welsh Black Cattle Society and Cambrian Organics
- Richard Collyer of ADAS
- Nic Lampkin and Rosie Boden of OCW
- Phil Stocker, Katrin Hochberg and Anna Bassett of Soil Association Producer Services.

3.3 Consultation of producers

An open focus group meeting for producers was held. Letters to all licensed organic Welsh producers were sent out with an invitation to this meeting. These letters also contained a survey to ensure that those producers who were unable to attend the meeting could still give feedback on organic red meat marketing issues. 70 postal surveys were returned. The full results from these responses are shown in appendix 1. For most questions producers could pick more than one option so percentages for different options for one question do not necessarily add up to one hundred. As well as yes and no answers, producers were asked to add comments to each question and many producers did so. The focus group meeting was attended by 24 organic beef and lamb producers, Dave Frost of ADAS, Philip Jones of OCW, Bill Lawrence of Cambrian Organics and Phil Stocker, Katrin Hochberg and Anna Bassett of Soil Association Producer Services.

4. Producer Consultation

The following results come from the producer focus group meeting and the 70 postal surveys that were returned.

Membership of producer groups

58 per cent of respondents were marketing stock through a producer group. A large proportion of these people were marketing 95 per cent or more of all their stock in this way. The benefits of marketing through a group were seen to be:

- security through maintenance of prices (77 per cent of respondents agreed this point)
- guaranteed markets for stock (78 per cent of respondents agreed this point)

Other points raised by producers were:

- increased negotiating power, groups can represent small producers to large buyers
- forward planning to avoid problems of over and under supply
- continuity of supply for processors
- freeing up producer's time by organising people and products for them

Obviously not all producers want to market stock through the producer groups. 44 per cent of producers said that nothing could be offered that would secure their commitment to a group. Some producers have long term relationships selling directly to processors and are very happy with this. Other producers are unhappy to pay commission to groups. The price offered to groups by processors is the same as that offered to producers selling direct so producers have to feel that they are benefiting from their commission payments. In one instance, a producer commented that the extra cost, including haulage, of selling to the group rather than direct to the buyer was around £2.50 per lamb.

As extras, aside from actually selling the stock, producer groups provide various 'hooks' for producers such as grading days, bulk buying and other additional services and training. Among producers who are not currently marketing through groups, 47 per cent said that additional services could secure their commitment to a group. The biggest possible draw for people to join groups is not surprisingly better premium (90 per cent), closely followed by reduced commission (88 per cent).

Selling direct to abattoirs

46 per cent of respondents sold stock direct to abattoirs or wholesalers. There was a close split between those producers who felt that abattoirs offered a fair price and those that didn't (56 per cent to 44 percent). The majority of producers, 73 per cent, did not feel that the abattoirs gave a sufficiently long-term price. Producers in general seem to be taking a price on the day that suits them rather than necessarily taking a long-term view.

Benefits of selling direct to abattoirs or wholesalers:

- there can be a short payment interval (this varies from producer to producer)
- selling direct to smaller abattoirs with their own butchers shops or supplying other independent butchers can build up local markets

A concern for some producers is that if their stock is destined for the major multiples there is likely to be only one abattoir that deals with that stock, e.g. St Merryn at Merthyr for Tesco. This may mean an increased distance for stock to travel to the abattoir and the increased haulage cost that this entails.

For individuals selling direct to abattoirs there is the problem of having to predict what they will have available at the specifications required some weeks in advance. Some producers find this difficult. The specifications demanded by the multiple retailers, and hence the abattoirs, are the same as those required for the conventional market. By its nature organic production gives a greater variation in the meat quality when scored by the present rigid system of carcase classification. If allowed to show this variation, this organic meat may well have much greater eating quality than that of conventional meat. A system needs to be developed for recognising the benefits of better eating quality as a marketing tool, and, consumers need to be educated to recognise that uniformity does not necessarily mean quality.

Selling direct to the public

33 per cent of producers in the survey were marketing direct to the public. Only three respondents were marketing all their stock direct to the public. When the survey asked whether producers anticipated that their marketing strategy would change, though only 28 percent of producers said it could, a common response from those producers was that they intended to sell a larger proportion of their output through direct selling.

Positive points include having direct contact with the consumer, which enables the producer to explain their systems so that the consumer understands and is happy to pay a premium price, and also gives the consumer opportunity to feedback comments to the producer.

Those who are involved in direct selling list their problems as follows:

- lack of licensed abattoirs and processing facilities
- extra expense of getting meat processed
- extra time and labour costs
- getting to grips with environmental health and food hygiene regulations

It was disappointing to see one response from a producer in Gwynedd who sells most of their lamb and beef direct. They won a Taste of Wales silver award for their product, but that product was not recognised as being organic as they choose to use their local abattoir which is only two miles away and is not licensed, rather than having to travel 60 miles to the nearest licensed abattoir. The organic principles call for reduced food miles and it is difficult for producers to reconcile this with the distance stock sometimes has to travel. Several other producers also stated that their direct sales were not sold as organic, and the premium was gained on it being a local product.

Only 23 per cent of respondents from the survey answered yes to the question of whether there was a problem with establishing a name within the marketplace. This point was supported at the producer's meeting, the comment was that in fact producers did not have a problem getting known, rather they did not actively want to promote their products for fear of stimulating more demand than they could cope with. This demonstrates the support within Wales for local or regional produce.

Improving marketing

86 per cent of producers said that a better linked up supply chain and better market intelligence would improve their marketing. 65 per cent said that better feedback from buyers would help. Some producers commented that their producer groups were already providing all these points.

Other comments on things that would improve marketing were:

- feedback from consumers
- an improved distribution network
- ability to sell different sized cuts to suit different families' needs

Marketing beef and lamb

More respondents found difficulty in achieving a price premium for lamb than for beef. For both beef and lamb, the biggest problem would appear to be a lack of abattoirs/processing plants. When this topic was discussed it seemed that the lack of licensed organic processor facilities creates more of a problem than lack of abattoirs. Many producers are concerned about the distances they have to take stock to their nearest licensed abattoirs. There are three main concerns about this, animal welfare, haulage costs and environmental costs i.e. food miles.

The lack of processor facilities has the greatest effect on those producers who wish to market their meat direct to the public as mentioned above. Several producers mentioned that a proportion of their meat is not marketed as organic as they do not have licensed processor facilities in their area. The premium on the meat is gained through marketing as local or breed specific such as the Rare Breed Survival Trust's meat marketing scheme.

The situation has been improved in recent months -and several producers commented on this - by the opening of the abattoir at Haverfordwest. Coupled with the facilities of Welsh Hook Meat, a full processing facility is now available to producers in this area. Other areas still need development of licensed facilities.

Specific beef problems:

- the over thirty month scheme causes problems for those keeping slower maturing breeds. These breeds may be the most suitable for organic systems.
- problems with setting a store price and finding organic buyers for store cattle

Specific lamb problems:

- no market for early organic suck lamb, multiple retailers do not want too many different categories of organic lamb at any one time
- seasonality of supply
- problems with store sales

Store sales

For both beef and lamb, selling stores is seen as a problem. The conventional beef store price was very high last autumn and this led to many organic store animals being sold onto the conventional market. On the lamb side, there are seasonality problems and a lack of market intelligence, which can lead to a loss of organic store lambs onto the non-organic market early in the season. This loss could be as much as 40 per cent across the UK (source: Federation of Organic Livestock Marketing Groups 2002). Many producers sold store lambs last season as non-organic, as the price was reasonable and there were fears that overproduction would cause reduced finished lamb prices. This led to problems with some markets: a light lamb scheme, which the supermarket Safeway was running with producer groups, found that there were insufficient organic light lambs available in January of this year.

Many producers said that they felt that organic store sales are a way to set realistic prices for all store stock. There have been some store stock sales held at Brecon mart, but these have not been as well attended as was hoped. It may be of more benefit for store producers to link with producer groups and hence the Federation of Organic Livestock Marketing Groups to allow more forward planning for stock sales and to help with achieving realistic store prices.

Marketing without the multiple retailers

70 per cent of producers present at the focus group meeting wanted to see a long-term strategy that looked at breaking the connection with selling to multiple retailers. Ideally producers wanted to be able to do more independent sales. When asked whether they thought this wish to break with the multiple retailers was possible, most did not actually think it was. Establishment of new brands is one way for producers to get more control over the produce that is sold.

The option of branding

The easiest way to establish a brand would be by a major regional processor to develop the brand in conjunction with its retailers; however, this approach would provide little advantage for Welsh producers. For producers to gain greater benefit for a branded product they would have to retain some control, and this may well require them to establish and market the brand themselves. The processor survey revealed that there are large operators in the region who could provide the facilities required to produce a farmer-created brand. This approach would clearly require considerable investment of time commitment and finances. The major multiples - through which 82% of organic food is sold in the UK - are also very reluctant to give shelf space to new brands, other than own label brands, unless the product already has a loyal customer following.

For a branded product to succeed in the market, it not only has to be perceived to be better, but it must also deliver. This means that all problems of consistent supply and quality must be assured and overcome. Many producers felt that branding should be very specific so that consistency can be achieved, for example certain breeds or set hanging/maturation periods. The more rigid the criteria, however, the harder it becomes to achieve a sufficient consistent supply. A concern raised at the producer group focus meeting was that one branding opportunity would be the breed Welsh Black, but there was that there was a worry that there was insufficient beef being produced in Wales to allow branding generally, let alone breed-specific branding.

The amount of beef or lamb required for branding really depends on where the branding is aimed. The most effective use of branding is likely to be targeted at the regional market, rather than entering the product onto the national market where it will have to compete with other regional brands. This will require less product than trying to cover the entire national market. The use of branding is likely to be most effective when there are additional features to the brand e.g. beef that is hung for a certain time, or breed specific products. As well as regional differences, such a product is more likely to have a taste difference, which is needed to encourage repeat purchases in consumers.

Public sector procurement

A number of producers have raised the issue of the potential market for organic produce as part of public procurement. Producer group consultation also raised this point. A very large and currently untapped market exists in the public sector. Regional schools and hospitals are potentially a very large market, which could be encouraged to source organic and locally-produced food. Current buying policy in the public sector dictates that the tender providing the 'best value' should gain the contract. Best value has typically been interpreted as the cheapest, although this need not be the case. If it can be demonstrated that local and organic food provides better value by means of local wealth creation, better health etc., then regional organic producers and producer groups could gain access to this market.

The development of public sector procurement for organic food could significantly increase the demand for organic food, not only directly, but also indirectly as it would give a positive signal to the wider public, who are not currently buying organic food due to lack of their understanding of its wider benefits. There was a feeling amongst those consulted that more people are starting to worry about what they and their families eat.

While this policy was popular amongst people attending the meetings, many were very sceptical regarding the likelihood of public sector establishments on limited budgets paying more for local organic food.

Other suggestions

Other suggestions from producers included the use of chill facilities to hold back lamb at times of oversupply, to be released onto the market at times of shortage. This would have to involve freezing the lamb, and aside from the cost and space needed, the market for frozen lamb is different to that for fresh lamb. Both processors and groups agree that this idea is not of any benefit.

Another point that was made was that many producers are still measuring the success of their organic sales by referring to the differential between conventional and organic prices. This also relates back to lack of knowledge about cost of production. Producers should be looking for a sustainable price, not one that is a certain amount above the conventional one. A solution to this problem is already being worked on at OCW with their benchmarking work.

5. Producer Group Consultation

5.1 Producer Groups Marketing Activities

There are many different types of groups that are working within the organic sector. Some of these fulfil the standard definition of a producer group – that is a group run by producers for the benefit of producers such as Cambrian Organics and Graig Farm – but there are other groups that can offer support to producers and they are discussed below.

Cambrian Organics

Cambrian is a relatively new producer group, set up in June 2001. It falls under the definition of groups that are run by producers for producers and also falls under the legal definition of a co-operative – those that join have a share in the co-operative. At present they are procuring and selling finished stock though there is some store dealing between members. Some stock is sold through abattoirs and processors to multiple retailers and the remainder is processed by the co-operative and sold either through mail order or increasingly through retail outlets. Cambrian enables producers to benefit from some of the added value from selling their meat direct to the consumer. In the future, Cambrian anticipates that the majority of meat marketed through the group will be sold as added value product.

Membership of the group is open to anyone who farms in Wales subject to meeting certain criteria, and it is preferred that producers commit 100 per cent of all their finished stock to the group. At present there are 35 members.

One of the marketing tools that Cambrian use for their mail order sales is that each piece of meat that is sold has a code on it. On the website, that code relates back to the farm which produced the meat and there is information and pictures for each farm. This allows producers in the group to have the benefit of 'talking' directly to their consumers, and for consumers to gain a greater understanding of where their meat comes from.

Graig Farm Producer Group

Graig Farm is a group that meets the definition of a group that is run by producers for producers. Producers pay an annual fee to join the group and can choose how much or how little of their stock they commit to the group. They must, however, supply 90 per cent of whatever they do commit to. Producers can join from the whole of Wales and also other areas of the UK.

Graig offers a number of 'hooks' over and above their marketing services to encourage producers to join. They divide producers into eight regional groups. These groups will offer training and services such as grading days and also bulk buying of inputs such as feed in order to be able to offer a reduced price. Graig also offers a facility for producers to trade store stock. Within the group they will produce projected prices to help give store buyers (and sellers) confidence in the market. Graig has an experienced livestock man that can go out on farm to offer support and advice to individual producers, such as advice on drawing finished stock.

Around 80 per cent of stock that goes through the producer group goes through a number of routes to the main supermarkets such as Sainsburys, Tesco, Safeway and others. Safeway work with Graig on a light lamb scheme. The remainder goes through Graig Farm Organics to be sold as mail order or to butchers, farm shops etc.

Graig Farm is a key member of the Organic Livestock Federation. They feel that membership of the Federation is important to reduce the threat that processors can offer by dealing with producers direct, and to make sure that all producer groups are working together.

Discussion groups

The Pembrokeshire group is not involved in marketing of red meat. The group meets for discussion purposes, and this allows producers to make new contacts in the area.

The Pembrokeshire group advises producers to get involved with producer groups to market their meat. OCW also runs a number of discussion groups.

Welsh Black Cattle Society

The Welsh Black society is involved in organic and non-organic production. There are 800 members in the society worldwide.

There is a Welsh Black organic producers club that meets in Wales. The Society holds pedigree sales and the organic club has held one specifically organic sale. It is now seeking to be able to market the organic stock as part of normal pedigree sales, in the hope of attracting more buyers. A pedigree animal may still make a premium for the seller, whether it is sold as organic or not. The Society provides information to members such as pedigree records, and can put members with stock for sale in touch with other members if no sale is imminent.

There is a marketing board that deals with the Welsh Black brand. This is not an organic brand and is run by a committee that is separate to the Society.

5.2 Feedback from consultation

Producer groups in Wales are broadly in favour of the principle of the federation approach and the benefits that such an approach can bring in terms of increased efficiency in dealing with processors and the maintenance of a viable and long-term return for producers. The federation will collect and hold market intelligence so that projections for price and supply can be made – see section below on the advantages of the federation approach.

Producer groups would like more co-ordination between store producers and finishers. A lot of store stock was sold onto the conventional market this year, as producers felt that taking the price offered then was their best option. This highlights the need for improved market intelligence. If the federation holds this information it should be well placed to facilitate store trading. One suggestion was that there should be a formula for selling stores such that the producer receives a price that relates to whatever the finished price is when the animal is eventually sold.

A concern of producer groups is that public funding to support organic livestock production in Wales can create some of the problems being faced by producer groups. As has been mentioned previously, if training and backup for producers is being offered for free, and a large number of support groups are being set up, this undermines the work that the groups are doing by reducing the attractiveness for producers of joining a group. If producers can receive all the 'extras' for free, they will place no value on them. With more communication between public funding bodies and producer groups these resources can be utilised to for the benefit of organic meat production and marketing`.

Work that would be useful involves helping to licence caterers and pubs etc. These would offer new market opportunities for organic meat. At present, caterers and pubs may only want to try for example one organic dish, and it is not viable for them to pay a licence fee just for this. It has been suggested that producers could take responsibility for the use of their organic meat in pubs etc. The suggested Code of Conduct that is being put forward by the Soil Association would allow a certain producer to supply, for example, a hotel, so that the hotel pays a nominal sum to join the scheme and has an open book policy to demonstrate their procurement of organic stock.

Another advance that could lead to a big increase in the consumption of organic produce would be an involvement in public procurement. This is dealt with in more detail under producer feedback where the point was also raised, but in terms of producer groups it was noted that public procurement needs a critical mass to take off. Fragmentation of the organic market will hinder this; the federation approach will help. An initiative is being discussed between OCW and its partners to fund public procurement of organic and local food, and to improve education of consumers on this matter.

One problem faced by producer groups when working with supermarket buyers is that although the multiple retailers may have a particular policy that is proposed by those high up the chain of command, the actual buyers who work with the groups may not be following that line.

The final point made by producer groups was the need for more education to raise consumer awareness. Consumers do not always understand all the different labels that are put on produce – organic, farm assured, etc. Bodies such as the OCW partnership already undertake public promotion of organic food as part of their role.

The federation approach

The report 'improving market intelligence for the organic red meat sector in Wales' found that much of the information that was considered essential for market intelligence in Wales could not be released due to issues of commercial sensitivity. This applied mainly to information from the producer groups and related particularly to any forward projections for numbers of stock or prices.

Allowing this data to become publicly known would undermine the work of the producer groups and reduce their power to maintain prices for producers. The report therefore recommended that producer groups continued to work within the organic livestock federation. It was widely accepted that this approach, with its collective strength, would allow the maximum amount of control over prices to be maintained by producers. In fact, the major benefits that producer groups had achieved in lifting and maintaining prices, irrespective of the conventional market price, was acknowledged by many.

Information regarding current and future livestock supplies would be shared within the federation to help ensure the market is adequately prepared. When the federation deems that information is no longer commercially sensitive then that data can be released.

This approach allows producer groups to work together so that they are not undercutting one another. The federation approach limits the numbers dealing with supermarket buyers, and streamlines supply chains, which leads to better quality and consistency of supply. Processors are cautious about dealing with a strong successful marketing group that has leverage and control over prices paid. However, improved co-operation through the federation approach could provide what processors consistently say they require – that is, continuity of supply, consistency and improvements in quality, as well as improved market intelligence.

The federation of producer groups has an informal structure, but the essential element is that the groups work together to improve efficiency and do not compete with each other through pricing policy. An ideal model could once have been a single national producer group, but, as there are already a number of producer groups operating, and, many producers choose to deal with a group that operates in their locality the best plan is for all these groups to work together.

This strategy is very dependent on a good relationship between marketing groups so that confidence and trust develops. It is also dependent upon a high level of support (and acceptance of commission charges) from a significant percentage of producers joining a group to achieve equity in the relationship between processors and those supplying them. In order to gain and maintain support, the groups and the federation have to be very professionally run and offer advantages to farmers over those gained by selling direct to abattoirs.

5.3 Problems facing producer groups

Problems raised by groups include the fact that, increasingly, the 'hooks' that they offer to encourage producers to join the group are being eroded by being offered by publicly funded bodies. These bodies may feel that, for example, offering free training to producers on grading, is beneficial to the industry as a whole, but, if producers are receiving something for free they may start to question whether they really are getting value for their joining fee for a group. As part of the producer survey, producers stated that additional training and services could be something that would persuade them to join a group if they were not already members, and again, if they feel they can get this elsewhere for free it reduces the impetus for them to join. It was acknowledged that there is a danger of too many new groups starting up with the help of grant aid, only for these groups to compete with existing groups thus further fragmenting the market.

Producers may not realise that the work of producer groups helps to ensure that the price for finished stock is maintained for those in the group and also for those outside the group. Some producers may be acting on a short-term price that appears attractive when the producer group is more focused on a long-term sustainable price.

Groups are under threat by processors that seek to deal directly with producers. The more stock that the processors can source directly the less reliance they have on producer groups and so the less influence that producer groups have on the price. Processors have the potential to be more flexible in their specifications when dealing with producers than they can when dealing with groups. This can undermine the effectiveness of the group and can lead to producers becoming dissatisfied with the group.

Another problem that some groups can see for the future is a possible lack of UK organic beef. With increasing demand for organic beef, and the requirements of the multiple retailers to have continuity of supply, some groups are concerned that there are not enough producers converting to organic now to provide supply for the future.

6. Processor Consultation

6.1 Red meat processor activities

Processors (slaughterers and meat cutting/processing plants) play a vital role in the red meat supply chain. Organic red meat processing in Wales can be categorised into high, medium and low throughput abattoirs. A summary of capacity and facilities is shown in the appendix table 1. For the high and medium throughput abattoirs, the percentage of organic stock that is handled is low, perhaps only 2 percent. Some of the low throughput abattoirs handle a higher percentage of organic stock but this still only reaches 5 to 10 percent of total capacity.

The medium and low throughput abattoirs are more likely to be able to offer a full private kill and process facility than the high throughput abattoirs. As there are few non-slaughtering licensed processors available in Wales these facilities are vitally important to any producer wishing to market direct to the consumer.

Processor Clubs

There are clubs for producers run by processors such as St Merryn and multiple retailers such as Waitrose. These clubs seek to give producers some of the benefits that they receive from producer groups such as the advice and training including grading days etc. These clubs can also arrange for fieldsmen to go out on farm to offer support and advice as the groups can.

The processors' position is that all they need is continuity of supply, and these extra benefits offered by the clubs allows them to bring in new producers and keep existing producers happy.

6.2 General problems in the red meat sector

Quality of stock

In the market intelligence project, several points were mentioned that were raised by processors who took part in the abattoir survey. These points were:

- parasite burden of organic stock
- poor breed selection by producers
- poor finishing management by producers

All these points could be grouped together as relating to meat quality. Understandably, there are differing opinions over what constitutes quality in meat and livestock. However, there is broad agreement that irrespective of breed and size, 'quality' is reflected in stock that are well finished, with reasonable flesh cover and adequate, but not too much, fat cover.

The comment from most processors was that the quality of organic stock has improved markedly over recent years and that that produced by 'professional farmers' was at least at a parity with non-organic red meat. A proportion of producers come into the category described by processors as 'hobby farmers'. These are producers who may have limited experience of stock rearing and are less able to manage feeding and finishing strategies to reach required weights and grades. It was mentioned that some producers are worried about stock going over supermarket requirements in terms of weight, and this deters them from feeding to finish. There will obviously be this type of producer in both organic and conventional agriculture but a high proportion of these 'hobby farmers' are organic.

Organic certification

The majority of processing carried out in Welsh plants is either for supermarket trade or private kill. There is a low percentage of organic red meat products going to independent butchers, wholesalers or small-scale retailers/caterers. Part of the problem is the difficulty in organic certification procedures for smaller retailers and caterers, and price and positioning of organic meat in non-dedicated organic specialist outlets, where products are often already sold at premium prices.

Breed

In terms of perception of quality, the major slaughterers supplying supermarkets perceive quality as carcass weight ranges, conformation and fat cover similar to that required non-organically. While they will take organic stock outside their ‘ideal’, this will depend on supply and demand balances. Until recently, there has been less stock available than market demand, resulting in poorer quality stock finding relatively easy markets. However, this situation is changing with more UK stock coming forward and import channels having been established, and the likelihood is that marketing of poorer quality animals will become more difficult.

Smaller throughput abattoirs, largely providing a service for farmers involved in direct sales, have a more traditional view of quality, putting more value on fat marbling and higher fat cover associated with indigenous breeds. However, they also emphasise the need for animals to be well finished.

All groups of abattoirs felt that there was potential for organic meat production to become more connected to indigenous breeds, providing that the ‘quality’ within these breeds was high and that the finishing of stock was effective. Basically it was felt that quality could be improved within breed types rather than needing to cross in other types. It is felt that the indigenous breed approach to the market would need to be connected to branding of products which could tell the story of why the product is different, and give the opportunity to add value.

There is inconsistency within the industry regarding the maturation of beef to improve eating quality. This could be for a number of reasons and in general the non-supermarket processors appear to value longer maturation than do those supplying supermarkets, and farmers retailing direct clearly value longer natural maturation (carcass hanging, rather than maturation within the pack).

Parasite burden

Parasite burden was also cited as being a specifically organic problem by some medium-sized and smaller abattoirs. Interestingly, larger processors such as St Merryn Meats say that their monitoring procedures demonstrate that there is no difference between the parasite burden seen in organic or non-organic stock. If smaller processors only deal with a few organic producers, then if the stock of one of those producers carry a higher parasite burden this may give a false impression of organic stock generally. It is also possible that these smaller abattoirs deal with more of the 'hobby farmers' whose ability to manage their stock may not be as good as it should be.

6.3 Problems with organic beef

The direction which organic beef should take is unclear with the processors supplying supermarkets. Emphasis over recent years has been to produce organic beef similar to non-organic specifications for two main reasons. Firstly, retailers have given the message that beef in packs needs to be consistent with non-organic products in pack, and secondly, processors aim to be as efficient as possible, seeking high meat yields per carcass, consistent cut sizes and shapes and reduced costs cutting trim and fat. This has led to difficulties in differentiating organic products on supermarket shelves (they look and taste the same). Organic beef is sold on the basis that organic production methods have health, animal welfare and environmental benefits, although organic has to compete with confusing claims made by other brands/labels (free range, traditional etc). In addition, this approach does conflict with the principles of organic production, for farmers to choose breeds and strains that are suitable for the climate, topography, and forage quality on the farm. Almost by definition, if consumers have a good understanding of the benefits and values of organic farming, they would accept diversity in products, and would accept or even expect them to be different from their non-organic alternatives. This highlights a significant problem in selling organic beef through non-dedicated organic multiple retail outlets, and the issue need to be addressed at supermarket policy level.

Hanging beef

Opinions on the maturation of beef are divided. Most beef processed for supermarkets is hung for around five days with further maturation claimed when packed. Cost of hanging and storage has an impact, particularly where retailers are putting pressure on processors to reduce processing costs. These processors claim that maturation after cutting and packing is as effective as full carcass hanging. This maturation in the pack means that the process is controlled, there is no drip loss and no problems with discolouration. The smaller abattoirs supplying independent butchers, or those that have their own butcher shops, say that benefits from full carcass hanging can be seen after around 14 days. However, there is evidence that traditional carcass hanging for 20-28 days is preferred by farmers involved in direct sales, and some smaller abattoirs are prepared to hang for this length of time. These producers are selling to a particularly discerning consumer who believes they can only get the high quality traditional type of beef from these specialist outlets.

Source of stock

Processors indicated that they would prefer to source all organic beef from the region providing that the quality was good and that the prices were broadly in line with product from other regions and imported. Welsh regional sourcing has clear benefits in terms of cost, food miles, animal welfare and branding, and the maximisation of sourcing from within the region should be explored and co-ordinated.

6.4 Problems with organic lamb

One of the biggest concerns of processors over organic lamb is the seasonality of production. Closely connected to this is a lack of market intelligence to enable processors and retailers to plan ahead. As with beef, there is a stated desire to source from within the region, but a lack of market intelligence, and offers of cheaper supplies at certain times of the year from other UK regions result in sourcing from across the UK. Producer groups are seeking to organise year-round continuity of supply by direct liaison with organic producers abroad and this is discussed further in the supply chain models section.

Quality is perceived to be no more of an issue than non-organically. That is to say that while quality can undoubtedly be raised with higher percentages of stock reaching the required weights and grades, this is not a problem exclusive to organic farming. Breed issues are less relevant than with beef and it is accepted that across the sheep sector light lambs will be produced and specific markets have been developed.

Processors claim there are difficulties with developing niche markets within the organic market, such as that for early season organic suck lambs, due to lack of opportunities to differentiate lamb on supermarket shelves. This has led to several organic farmers who produce for this market being disappointed and organic lambs being lost to the non-organic market.

6.5 Summary of problems in the supply chain from the processors point of view

It has already been mentioned that the recent South West marketing strategies report involved a major processor who is also operating in Wales. The points below are concerns raised by processors in both Wales and the South West:

- There is a desire to source organic lamb and beef from Wales for the processing carried out in the region – providing that continuity, quality and price is favourable.

- There is a need to access non-organic markets with part carcasses – this requires linkages between organic certification and basic farm assurance, or other assurance schemes such as Freedom Foods in order to give organic producers maximum marketing options.

- There is a need to improve livestock grading and weights to meet market specifications. This may be achieved by price incentives.

- Organic store stock are being lost to the organic system due to a lack of market intelligence and producers being unsure whether there will be a market when the stores are finished.

- There is pressure from retailers to reduce processing costs. This is driven by price-competitive multiple retail chains and mainly affects large processors. The multiple retailers will also base prices on that paid for imports.

- Processors prefer promotion of organic products rather than price cutting to expand the market. Organic should have a valuable USP that is still not being fully taken advantage of (environment, landscape, and local economy). Most players in the market look to the Soil Association to promote organic products and increase awareness amongst consumers.

- A need to raise and regularise carcass quality (shape and fat cover) specifically for the supermarket trade.

- Larger processors comment initially that they prefer continental type cattle for the organic throughput. However, when questioned, they agree that there may be opportunities to link organic with traditional breeds (providing that conformation and fat cover is suitable) to give the product more differentiation and to maintain the image of the organic product.

- Unrealistic certification procedures, requirements and costs are hampering access into smaller scale, catering and tourist markets.

- There is often as much value to be gained from marketing organic products as local rather than organic, even if they are organic. Lack of enthusiasm to use the organic label is due to certification procedures and costs.

Further to the points above, there are also important points that relate specifically to non-slaughtering plants, and these are noted below.

Issues raised by meat cutting plants

- Shortage of chilling and storage facilities sometimes prevents these plants from maximising throughput.

- Specialist meat cutting and processing plants are indicating that there may be potential for expansion. In addition, several farms have invested in meat cutting and processing facilities. This development offers many benefits for employment, animal welfare, local economies, but the sector needs policy and regulatory support if the benefits are to be realised.

7. Summary of consultation

Problem	Solution
Producers want to do more direct marketing	
• Need more licensed abattoirs/processors/ with space to hang beef • Need more licensed butchers, caterers pubs etc. to increase the market for organic meat • Need training on food hygiene regulations • Need support to develop on farm processing facilities	• Review of certification procedures, making certification simpler. • Allowing producers to take responsibility for their organic meat that is used in pubs etc. • Support from public funded bodies to offer training • Simpler certification and support from public funded bodies
Processors want quality stock, producers are having trouble reaching required grades for multiple retail market	
• Some producers lack experience in feeding and finishing techniques • Present grading system is very rigid • Over thirty months scheme (OTMS) makes finishing management of certain slow maturing breeds difficult.	• Training is required for some producers – this is best provided by the producer groups • Grading system is rigid as organic stock have to match non organic requirements, education of the consumer to explain the diversity of produce and why it occurs could help to allow organic produce to be classified differently • OTMS is under review
Producers would like to do more marketing that doesn't involve the multiple retailers	
• Lack of other market opportunities – see also direct marketing points above	• Setting up brands that are run by producers could be an option as long as they are properly targeted. More success is likely if the brand is: • Not just regionally based, but also linked into quality issues such as specific breeds and hanging times for beef etc. • Aimed at a local market – not competing with other brands on a national basis.
Processors want continuity of supply	
• Lamb is very seasonal • Numbers of beef cattle produced may not be enough.	• Working with groups could provide continuity of supply – especially if groups work in a federation. Need more communication

Problem	Solution
Processors need access to non organic markets with part carcases	
• Non organic markets demand farm assurance	• Farm assurance inspections can be built into organic inspections
Store animals are being sold as non organic	
• Producers do not know who to sell to • Producers do not know what price should be set for store stock	• Communication between producers and groups can facilitate store sales • Benchmarking work will help producers
Producer groups and processors would like to be involved in public procurement (see also below for information on the Powys project)	
• Price is still a big issue • Continuity of supply is needed • Local abattoirs and processing facilities are needed	• Best value does not always mean cheapest • If producers work with groups continuity can be offered • Change of certification procedures

Powys public procurement project

In 2002, the Soil Association worked in partnership with Powys County Council, Powys Health Care NHS Trust and Cardiff University to demonstrate the potential for locally produced food to deliver social, environmental and economic benefits. The aim was to inform policy makers within Wales and the UK of the opportunities and barriers for local organic food procurement. Powys Food Links is continuing this work. The major problems are the provision for bulk buying, continuity of supply, distribution and price. Powys Catering Procurement ideally wants to use fewer suppliers who can guarantee low prices and continual deliveries across Powys.

For producers who wish to get involved in this project the work has shown that it is important for them to work as a group. This group of producers can then approach Powys Food Links to get advice on tendering for a contract. In order to supply quality, fresh, local and organic products the following key elements are needed:

localised abattoirs

- processing and packing facilities
- co-operative organisations of primary producers
- a change in buying policy, supported at the national level
- local distribution networks

(ref. Powys Public Procurement Partnership report, Dec 2002)

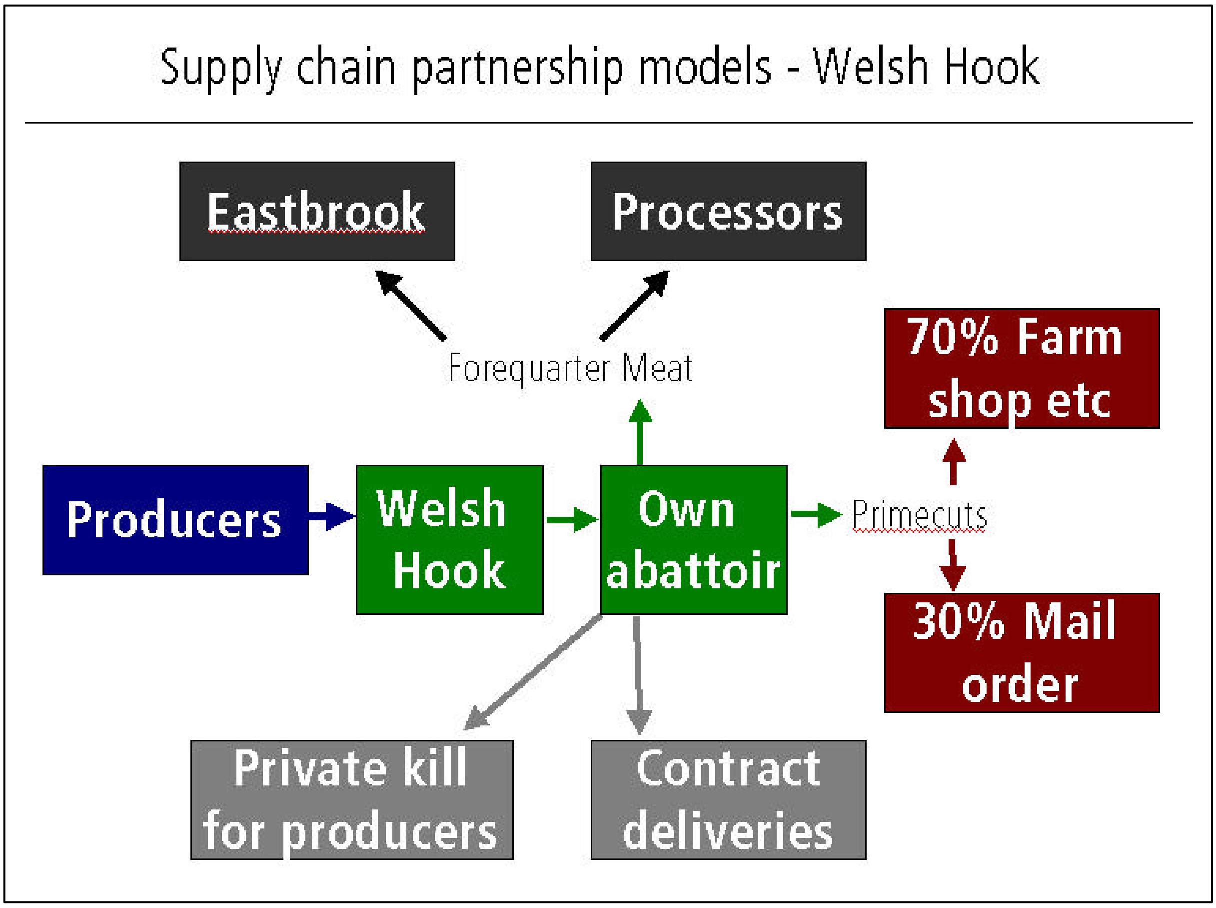
8. Supply chain models

Below are three supply chain models that are operating in Wales. Two of them concern producer groups and the third a processor.

8.1 Welsh Hook Meat

Welsh Hook Meat is a company that deals primarily in organic meat. The interesting point about this supply chain is that there is no involvement with the multiple retailers at all. The company does not work as a group. Welsh Hook have a controlling share in an abattoir in Haverfordwest, which is only a matter of a hundred yards from their processing facility and so can offer a full slaughtering and processing service. Individual producers can approach the company to sell their stock or can take advantage of the private kill facilities to have their own stock processed ready for direct sale.

Figure 7: Supply chain model for Welsh Hook Meat



Around 80 per cent of all the business that Welsh Hook do is organic. They have a core of around twenty five organic producers who regularly supply them, and others who they deal with on a more casual basis.

70 per cent of the prime cuts of meat that Welsh Hook sells go to farm shops, restaurants and independent butchers. A lot of these outlets are in the M4 corridor and the South East and include such well-known names as the Ritz, the Savoy and Lidgate the butchers in London. Deliveries are made twice weekly by their own van. An increase in business has been gained mainly through word of mouth. The remaining 30 per cent of meat is marketed through mail order.

Welsh Hook has no problems with full carcase utilisation, and the whole carcase is marketed as organic. They have links with several processors and also work with Eastbrook Farm Organic Meats so that between the two of them they can provide a consistent supply of organic forequarter meat for processing. Welsh Hook have also developed markets for items that would otherwise be considered as waste, including organic bones for soup and organic fat which is needed to mix with prime mince.

Welsh Hook also have no problems with sourcing sufficient numbers of organic stock, unlike other processors who report difficulties in sourcing particularly organic beef. They are also producers in their own right. They have links with another company in Wales, Black Mountain Foods. This company works as a wholesaler and also does some contract deliveries for Welsh Hook.

Although Welsh Hook does not act as a group, it does use the group the Organic Livestock Marketing Co-operative (OLMC), to set the prices that it offers to producers.

Potential for increase of activities

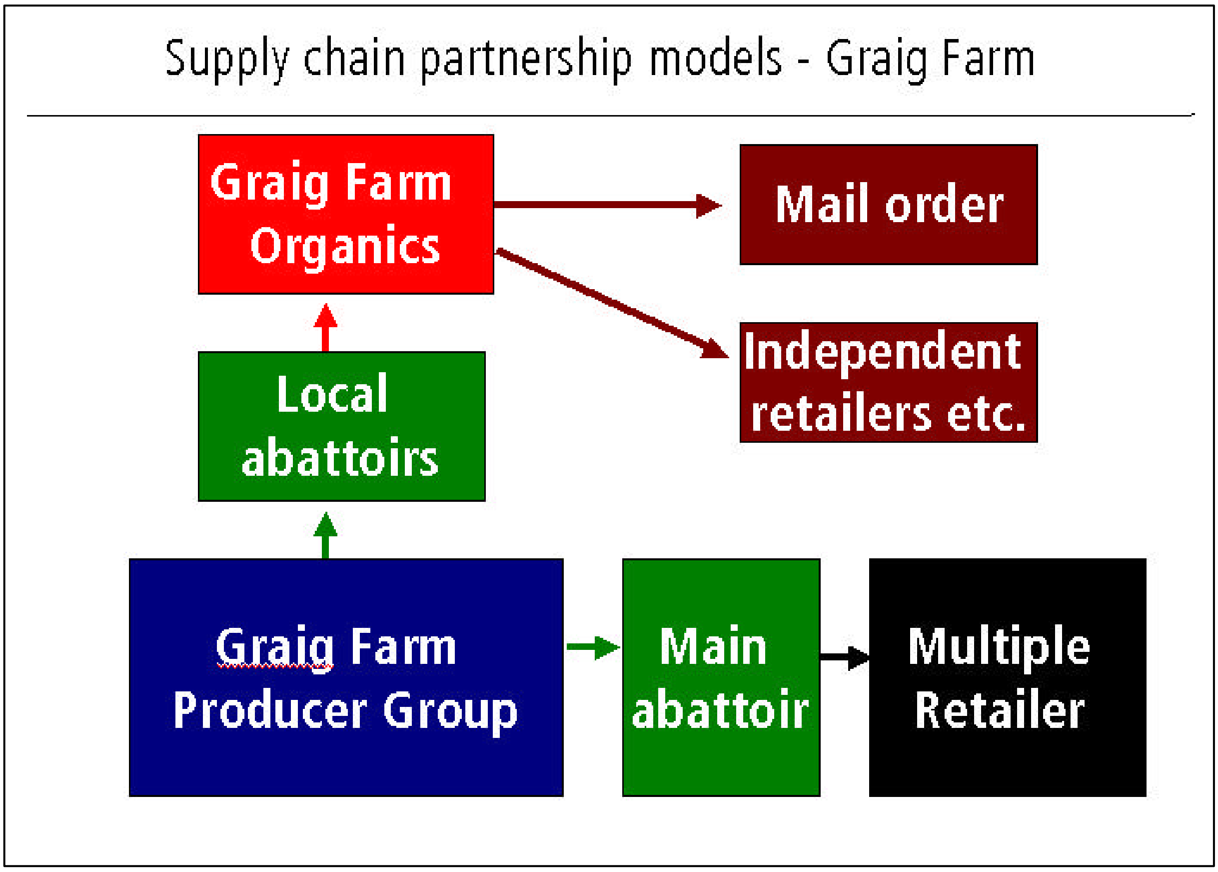
Welsh Hook have no supermarket involvement and as can be seen from the producer consultation, this is a method of marketing which producers would like to see increased. As Welsh Hook are not actively seeking new markets, but are just expanding through word of mouth, their individual expansion is limited by whether they want to actively promote themselves

8.2 Graig Farm

As is explained in the section on producer group activities, Graig Farm consists of the Graig Farm producer group and also Graig Farm Organics. There are around two hundred producers who are members of Graig Farm organics group. The majority of meat goes to the multiple retailers. These multiple retailers have set abattoirs and processors to ensure continuity of product.

The other outlet is for stock from the producer group to be slaughtered at local abattoirs to then go into Graig Farm Organics. This use of local abattoirs is important to help to keep a variety of abattoirs functioning as licensed premises, and to prevent all organic slaughtering and processing becoming concentrated in a few large abattoirs. This meat is marketed through independent retailers, mail order and also supply for restaurants and farm shops etc.

Figure 8: Supply chain model for Graig Farm Producer Group



To ensure continuity of supply for the processor, Graig is trying to facilitate a year round supply of red meat. This is particularly important for lamb where there can be oversupply in the autumn and a shortage in the spring. Rather than letting the processor or multiple retailer make contacts with importers to fill the gaps in supply, which could lead to the processors playing Graig and the importers off against each other at other times of the year, Graig are making contact themselves with other producers so as to be able to offer full continuity to the processors and retailers.

Potential for increase of activities

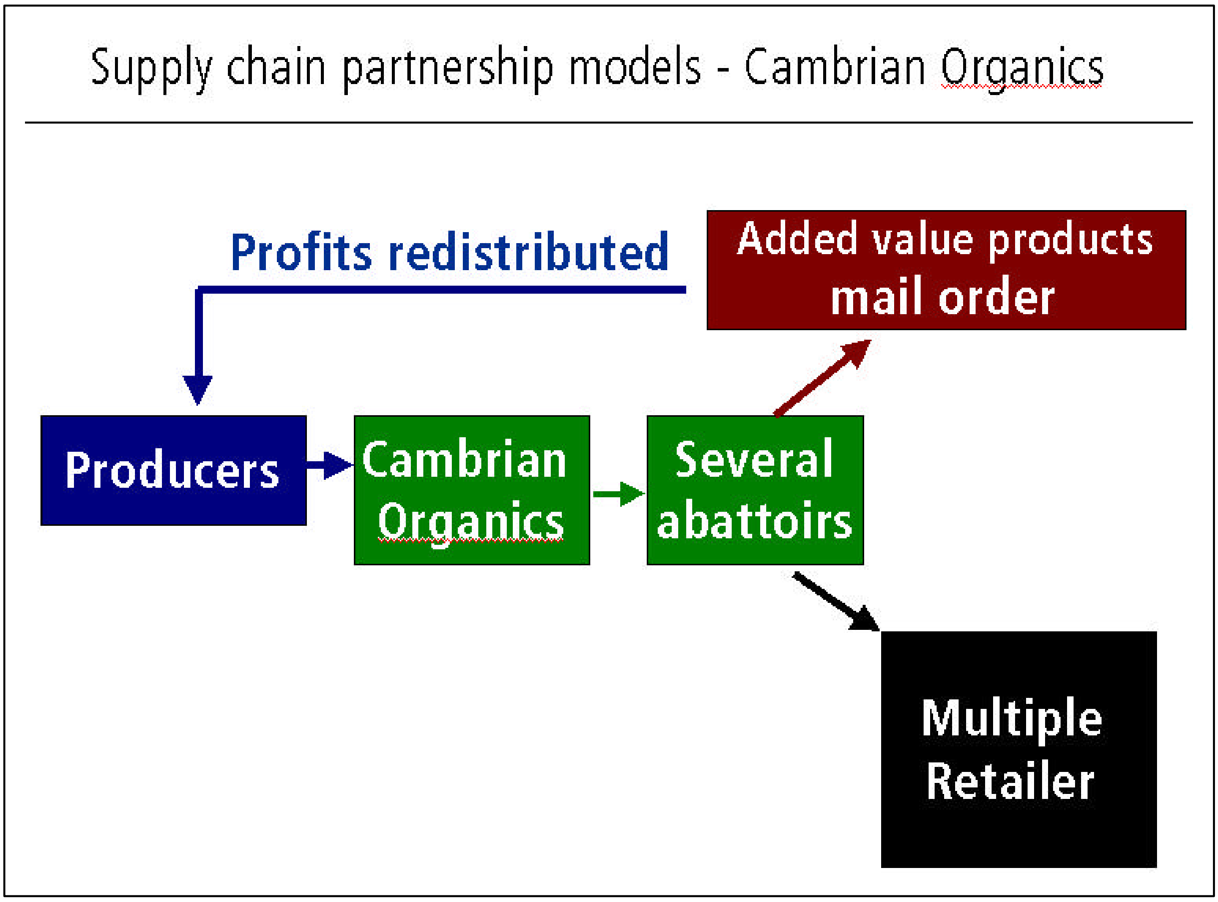
Graig is a well established group with a mix of outlets – some mail order, some to independent retailers, some direct to multiple retailers. Graig is a key member of the livestock federation and would like to see expansion of organic marketing activities co-ordinated within this group. The federation has the potential to improve market intelligence and so the ability of groups to negotiate and market red meat.

8.3 Cambrian Organics

The Cambrian Organics model shows that stock can go to the major multiples or it can be further processed to add value and be sold direct to the consumer. The group is not limited to using one abattoir, which helps to support different facilities throughout Wales, and has benefits for those in and those outside the groups.

The key point with Cambrian is that whatever profit is made from selling the added value produce through mail order etc. is returned to the producers. All producers in the group benefit from this: Cambrian decides which stock is to be directed to the multiple retailers market and which for further processing, but regardless of whether any one specific producer has stock that goes for added value and another hasn't, all producers in the co-operative get a share of any profit made.

Figure 9: Supply chain model for Cambrian Organics



Potential for increase of activities

Cambrian is keen to increase its marketing of added-value products in the future. This offers a valuable incentive for producers to become involved in the group. There are also opportunities for development of the Cambrian brand.

8.4 Conclusion

All the models presented here are different, but all these models work. The models for Welsh Hook and Graig Farm were presented at the focus group meetings and the response to this was that there is no one answer for supply chain models – different models work for different people in different areas.

It is not the function of this report to recommend one of the models over any of the others. The important point that needs to come out of examination of these models is that future work should concentrate on supporting the existing structures, not setting up new ones. Increase of the involvement of producer groups in the supply chain could involve the expansion of some of these models. All three of the companies involved in the models could expand, and some of these models could interact with each other to increase the amount of red meat marketed along these supply lines. There is value in ensuring that there is co-operation between groups and supply chains on.

9. Acknowledgements

This project could not have been completed without the input of the following people:

- Phil Stocker of Soil Association Producer Services
- Bob Kennard and Nigel Elgar of Graig Farm Producer Group
- Bill Lawrence of Cambrian Organics
- Simon Lloyd Williams of The Welsh Black Cattle Society and Cambrian Organics
- Trisha Powell of The Welsh Black Cattle Society
- Tom Latter of Pembrokeshire Organic Discussion group
- Graham Lewis of Welsh Hook Meat
- John Dracup and Chris Gist of St Merryn Meats
- Neil Pearson, Nic Lampkin, Sue Fowler, Rosie Boden and Philip Jones of OCW
- Dave Frost and Richard Collyer of ADAS
- All of the organic producers in Wales who participated in the postal survey, and who attended the focus group meeting.

10. References

Soil Association: South West RDA Organic Red Meat Marketing Study, Phil Stocker and Charles Morrish, 2003

Soil Association: Improving market intelligence for the red meat sector in Wales, Anna Bassett, 2003

Powys Public Procurement Partnership report, Richard Pitts, Joy Carey and Antony Lewis, 2002

11. Appendices

11.1 Survey results

Survey Results : For producers marketing organic beef and/or lamb in Wales

Total number of surveys returned - 70.

Note: Not all the surveys had answers for all questions, hence results don't add up to 70.

	Beef				Lamb			
1. Do you have any problems with marketing your meat?	Yes	No	Yes (%)	No (%)	Yes	No	Yes(%)	No (%)
a) achieving a price premium	16	31	34%	66%	27	25	52%	48%
b) reaching required weights/grades	18	28	39%	41%	19	29	40%	60%
c) lack of abbatoirs/processing plants	27	21	56%	44%	33	18	65%	35%
d) seasonality of supply	15	27	36%	64%	23	23	50%	50%

General Questions/Answers:

2. Do you sell through?	Yes	No	Yes (%)	No (%)
a) a marketing group	38	28	58%	42%
b) direct to abbatoirs/wholesalers	30	35	46%	54%
c) direct to the public	20	40	33%	67%

3. If you sell through a marketing group:

	100%	90%+	80%+	10-80%
What is your level of commitment? (% of stock)	19	5	3	6

Do you agree that producer groups offer security by:	Yes	No	Yes (%)	No (%)
a) maintaining price?	27	8	77%	23%
b) offering a guaranteed market?	28	8	78%	22%

4. If you are not selling through a group what might secure your commitment to a group?

	Yes	No	Yes (%)	No (%)
a) better premium	19	2	90%	10%
b) reduced commission	16	2	88%	12%
c) additional services -training etc	9	10	47%	53%
d) nothing, would not join a group	7	9	44%	56%

5. If you are involved with direct selling to the public do you have problems with:

	Yes	No	Yes (%)	No (%)
a) establishing your name within the marketplace?	5	17	23%	77%
b) additional labour costs in preparing/selling product?	9	12	43%	57%

6. If involved with selling direct to abbatoirs/wholesalers would you agree that:

	Yes	No	Yes (%)	No (%)
a) they offer a fair price?	18	14	56%	44%
b) they offer a sufficiently long term price?	7	19	27%	73%

7. Do you anticipate that your marketing strategy (selling direct/selling through a group/selling at certain ages/classifications etc) will change?

Yes - 10 (28%)
No - 26 (72%)

8. What would improve your marketing?

	Yes	No	Yes (%)	No (%)
a) better feedback from buyers	22	12	65%	35%
b) better linked up supply chain	30	5	86%	14%
c) better market intelligence	32	5	86%	14%

11.2 Abattoir capacity

Table 1: Organically registered abattoirs in Wales and scope of activities

Please note that it was not possible to obtain information from Cig Mon Cymru Ltd. on Anglesey, or Cwmni Cig Arfon Cyf in Gwynedd.

Organic registered plants	Cattle = C Sheep = S Pork = P	Activities	Cutting facilities - organic/ non organic	Main organic trade Multiples = M Independent = I Self supply = S	Home kill capacity?	How long will you hang carcasses for private/ wholesale?	Processing facilities for self supply?
Large Throughput							
Welsh Country Foods - Anglesey	S	Killing/ Cutting	Non organic, may have organic in future	M - non organic	No	N/A	Yes, but not in operation.
Hamar International Ltd - Powys	C, S	Killing	Non organic	M - non organic S - non organic	Yes	Privately - 1 week 48hrs Wholesale – 48hrs	None
Oriel Jones & Son Ltd - Carmarths	C, S	Killing/ Cutting	Non organic	M - non organic S - non organic	Yes - quite big	N/A	Just cuts
St Merryn Meats Merthyr	C, S	Killing/ Cutting	Organic	M		Wholesale – 48hrs	None
Medium Throughput							
G.R. Evans & Co - Denbighshire	C, S	Killing/ Cutting	Non organic	I - non organic S - organic	Yes	?	None
Jones Bros - Gwynedd	C, S, P	Killing/ Cutting	Organic killing, non organic cutting	I S	Yes	Private - 4 weeks Wholesale - 2 weeks	Yes
Haverfordwest Abattoir - Pembs	C, S, P	Killing	Organic through Welsh Hook	I S	Yes		Through Welsh Hook
Low Throughput							
Cig Oen Caron - Ceredigion	C, S	Killing/ Cutting	Organic	I S	Yes	Private - 2 weeks Wholesale - 2 weeks	Yes - whole process

Table 2: List of SA Cert organically registered (non slaughtering) meat cutters/butchers in Wales

Name	Activities
Ms Einir Williams – Anglesey	Meat cutting
John Fallone –Carmarthenshire	Meat cutting, packing and pre-packing
Mr Emrys Davies – Welsh Hook Pembs.	Meat products, meat cutting
Mr R W Kennard –Powys	Retailing, meat cutting, meat products
Mr P Hughes – Rhug Estate, Denbigh.	Meat cutting, packing