

## Organic produce - United Kingdom

## Product description

Crops and foods of plant origin can only be described as organic if "clearly related to a method of agricultural production". The use of chemical pesticides, insecticides and fertilizers is prohibited. Foods must be produced avoiding the use of artificial additives, dyes or flavouring and must comply with the production standards of an EC approved certification body (contact The Soil Association - Useful addresses).

Crops can only be labelled "organic" if grown in soil which has been kept free from chemical fertilizers for a period of two years.

## Production and imports

UK production of organics consist mainly of field vegetables such as potatoes, carrots, cabbage, onions and leeks.

Import figures from UK Customs and Excise do not provide separate statistics for organic produce. According to trade estimates, however, between 60% and 70% of domestic demand for organic produce is satisfied by imports.

Fruit and vegetables account for the majority of imports, particularly those foodstuffs not grown domestically. The major suppliers to the UK are the Netherlands (carrots, onions, tomatoes, cucumbers), Spain (citrus fruits, garlic, peaches, grapes), Israel (citrus fruits, tomatoes, carrots, celery, potatoes, avocados, mangoes, fresh herbs, lettuce), France (zucchini/courgettes, peaches, nectarines), Italy (citrus fruits) and USA (apples, pears).

Imports of fresh organic produce from other countries include figs and dried fruit from Turkey, oranges from Morocco, onions from Egypt and bananas from the West Indies.

Other organic foods imported mainly for processing include groundnuts from the Dominican Republic, Paraguay, Mexico and USA; sesame seeds from Mexico; sugar from Brazil; tea from India, Tanzania,

Sri Lanka and Malawi; coffee from Papua New Guinea.

## Market characteristics

The United Kingdom is the fourth largest market in the European Community for organic produce, after Germany, France and the Netherlands.

While it is difficult to quantify the market size, the total UK market was estimated to have grown from £ 8 million in 1985 to approximately £ 80-100 million by 1990.

The market has witnessed significant growth since 1988, mainly because of rising public concern over health and environmental issues, including chemical residues in food products.

The market for organic produce can be segmented into fresh fruit and vegetables, bakery and cereal products, processed foods, wine, dairy produce, fruit juice and meat. The most important segment, fresh fruit and vegetables, was valued between £ 40-50 million in retail sales in 1990.

## Market access

The United Kingdom applies the EC common external tariff and adheres to standards established by the European Community. A preferential rate of duty is granted to ACP countries and the GSP applies to imports from some developing

countries. No value-added tax (VAT) is applied.

The European Communities Organic Food Standards (Regulation No. 2092/91, 94/92, 2083/92 and 1535/92) has major implications for the organic production of food, particularly for imports from third countries.

The substance of the regulation can be summarized as follows:

- standards are laid down for the production and preparation of organic food, together with requirements for record keeping, labelling, marketing, and the inspection/certification system;
- responsibility for appointing a Control Authority to register and oversee the organic certification bodies lies with each Member State (in Britain this is the UK Register of Organic Foods Standards - UKROFS);
- imports of organic foods into EC countries are required to be from a country on the EC's approved organic source list (see annex I). These countries must have their foodstuffs certified and inspected to an equivalent standard to that of the EC scheme;

EC importers may import from third countries which are not on the list until 31 July 1995, only on the condition that imported produce conform to EC standards.

- Produce entering the EC must be accompanied by certificates of inspection issued by an official inspection body in the country of export or by an EC certification body.

#### Packaging

Foods described as 'organic' must comply with the EC's strict rules on packaging and labelling.

Organic produce for sale to retailers must be packed in bulk and

transported to the point of sale in closed packaging. Most supermarkets prepack fresh organic fruit and vegetables.

Organic certification bodies such as the Soil Association, Organic Farmers and Growers and UKROFS have their own individual symbols which can be used by growers, processors and packers.

#### Distribution channels

The two leading wholesalers of organic fresh produce in the UK are Organic Farm Foods of Wales and Oasis Organics Ltd (a subsidiary of Geest). Demand is market-led with wholesalers liaising with growers to encourage crop programmes that meet the requirements of retailers, specifically concerning quality, size and quantity.

At the retail level, multiple grocers dominate the distribution of organic food in the UK with an estimated market share of 55%. This trend is likely to continue in the short-term as the independent retail sector is not sufficiently organized. Safeway, Sainsbury and Tesco are the leading multiple grocers in terms of retail sales value.

In the independent retail sector, processed and occasionally fresh organic produce is sold in healthfood shops and specialist retail outlets such as green grocers and farm stores.

In the processed foods sector, a growing number of major food manufacturers are showing an interest in organics. In the UK, organic food manufacturers tend to be specialist health food companies such as Whole Earth Foods, Doves Farm Foods, Good Life Food and Meridian. A wide range of branded organic processed foods exist on the market.

### Prices

Organic foods obtain a significant premium over regular foods. This is compensated for by the lower production yields, higher labour costs, limited distribution systems available to fresh organic produce and the high rejection rate of fresh produce by retailers who have very high standards concerning the external appearance of fruit and vegetables. Price premiums vary on average from about 30% to 88% and can be even higher depending on the produce.

### Sales promotion

The promotion of organics is mainly through the activities of interested groups and associations, leaflets produced by major retailers and general advertising in specialized trade and health/nutrition journals.

### Market prospects

The current supply constraints in the UK may present some developing countries with opportunities and seasonal gaps to exploit, provided they comply with the EC Organic Food Standards. The main priority of the wholesalers and the multiple grocers currently is to develop the market in organic fresh produce in order to ensure a regular supply at reasonable prices for high volume mainstream produce. Producers from developing countries of exotic fruit and vegetables may be able to find a niche within the wholesale trade and specialist retail outlets. In the processed food sector, manufacturers will need to increase sales at the level of multiple grocers for the market to expand.

The further growth of organics is dependent on a number of variable factors. These include the amount of disposable income available and the general health of the economy, the price of organic food and the incidence of health and food scares.

In addition, the high price of organics has been a major constraint to its further development and growth, thereby making it a niche market. Recently there has been a trend on the part of retailers to squeeze margins from suppliers - prices will need to fall substantially for the market to expand. Developing countries with lower labour cost may thus have an advantage in investing in the production of organic produce.

The UK organic food market is likely to continue growing in the future and will remain a niche market. It is expected to achieve market growth from its present market share of less than 1% to between 2% and 5% of the total food market by the year 2000. Not all sectors are likely to witness the same rates of growth. The recession has had an effect on demand and the fruit and vegetables segment is expected to continue growing slowly.

A cheaper alternative to fresh organics which is expected to develop in the short and medium-term is semi-organic produce containing minimum levels of pesticide which do not cause health concerns.

The fastest growing sectors are bakery and cereal products, processed foods, dairy produce and meat.

### Useful addresses

UK Register of Organic  
Foods Standards (UKROFS)  
301-344 Market Towers  
New Covent Garden Market  
London SW8 5NQ  
Tel: (071) 720 2144  
Fax: (071) 627 0616

The Soil Association Organic  
Marketing Company  
86 Colston Street  
Bristol BS1 5BB  
Tel: (0272) 290 661  
Fax: (0272) 252 504

The Bio-Dynamic Agricultural  
Association  
3 Howard Place  
Edinburgh EH3 5J2 (Scotland)  
Tel: (0562) 884933  
Fax: (0562) 886219

Organic Farmers and Growers  
Limited  
Abacus House  
Station Approach, Needham Market  
Ipswich, Suffolk IP6 8AT  
Tel: (0449) 72038

Organic Food Manufacturers  
Federation  
The Tithe House  
Peaseland Green  
Elsing  
East Dereham, Norfolk NR20 3DX  
Tel: (0362) 637 314

Scottish Organic Producers  
Association  
Claremont House  
19 Claremont Crescent  
Edinburgh EH7 4JW  
Tel: (031) 557 3795

**List of importers**  
(non exhaustive)

Geest plc  
West Marsh Road  
Spalding, Lincs PE11 2AL  
Tel: (0775) 761 111  
Fax: (0775) 762 041

Organic Farm Foods  
Units 23-27 Industrial Estate  
Lampeter, Dyfed  
Tel: (0570) 423 099  
Fax: (0570) 423 280

**Organic processors with international brands**

Whole Earth Foods  
269 Portobello Road  
London W11 1LR  
Tel: (071) 229 7545  
Fax: (071) 221 6416

Meridian Foods Ltd  
Corwen  
Lwyd LL21 9RT  
Tel: (0490) 3151  
Fax: (0490) 2032

**Distributors and growers**

Organic Growers Association  
86 Colston Street  
Bristol BS1 5BB  
Tel: (0272) 299 666  
Fax: (0272) 298 475

Congelow Produce (Denn Farm)  
Denn Lane, Collier Street  
Nr. Tunbridge Wells, Kent  
Tel: (0892) 730 447  
Fax: (0892) 730 566

Organic Growers West Wales  
Llanbed Industrial Estate  
Lampeter, Dyfed  
Tel: (0570) 230 815

Somerset Organic Producers  
Wyvern Farms  
Searington St Michael  
Ilminster TA19 0PZ

Safeway  
6 Millington Road  
Hayes, Middlesex UB3 4AY  
Tel: (081) 848 8744

For additional contact information and assistance, exporters are advised to contact the Developing Countries Trade Agency (DeCTA), Trade Information and Promotion Department, Bank House, Sutton Court Road, Sutton, Surrey SM1 4SP, (Tel: (081) 643311, Fax: (081) 6438030).

Annex I

EC's approved organic source list

Third Countries which have been provisionally approved by the EC are as follows:

1. The following countries are most likely to gain approval by 1 January 1993 when the EC regulation is enforceable:

Argentina	Israel
Australia	Switzerland
Canada	

2. Third Countries awaiting approval are:

Chile	Tanzania
Egypt	Tunisia
Mauritius	Turkey
New Zealand	Uruguay
Sweden	USA (Organic Co-op Improvement Association)

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## Organic produce - USA

## Product description

Organic produce is defined as crops of plant origin grown without the use of chemical pesticides, insecticides and fertilizers; and foods produced without or with minimal use of artificial additives, dyes or flavouring.

## Market characteristics

Local production of organic produce is concentrated in California, the leading state for horticultural products as well as for preserved organic food manufacture and wholesale distribution. However, organic farming is expanding in other mid-western and southern states.

The US market for organic produce is expanding rapidly with sales expected to reach US\$ 1.3 billion in 1992. This is mainly due to the growing consumer awareness of the health benefits of a "natural" diet. Current trends show that consumers are increasingly turning to low-fat and processed foods. This is reflected in the growing number of specialized retail outlets, particularly health and specialty stores. However, demand for organic produce is mainly concentrated in urban centres.

Organic produce comprises a wide range of fruits, vegetables, grains and processed foods such as breakfast cereals.

The typical consumer of organic produce is in the upper income range and is concerned about the environment. Wholesalers and retailers respond to this by providing promotional material on organic produce, including information on the farmer and farming techniques.

Consumers are willing to pay up to 20% more for organic produce than for regular products.

In addition, a growing consumer category is that of expatriate

communities from the Middle East and South Asia who are more and more likely to buy specialty items such as organic basmati rice, pulses and dried beans.

Current suppliers from developing countries of organic produce are Mexico (sesame seed, pumpkin seed, pecans, wheat, dried beans, tomatoes, eggplant, peppers, herbs, organic biscuits and breakfast cereals) with exports of organic produce amounting to an estimated US\$ 570 million in 1991; Brazil (Brazil nuts, cashew nuts, dried fruit, organic wine which are marketed as the "Rainforest pack", and artificial meat made from soyabeans); Chile (breakfast cereals, pears, berries, dried beans, wine and apple juice) which is expected to become a significant supplier of organic produce to the USA; Ecuador (organic bananas and other tropical products); Indonesia (spices and herbs); Turkey (pistachios, almonds and dried fruits); Saudi Arabia (dates, watermelons, grapes and off-season vegetables with a potential expansion in wheat and meat); Egypt (herbs, frozen squash, dates, oranges, garlic, strawberries and fresh/preserved vegetables such as green and canned beans); India (chickpeas, dried mango and processed foods); Pakistan (pumpkin and sunflower seeds); Argentina (cereals for breakfast cereals); and Thailand (rice and horticultural specialties).

## Market access

Most horticultural products from developing countries are exempt from import duties under the following preferential agreements:

- Generalized System of Preferences
- Caribbean Basin Initiative.

The tariff regime applied to imports of regular fruits, vegetables and grains also apply to organic produce. Sanitary and labelling laws differ however.

Federal legislation on national standards for organic production of agricultural products and the outline of a national organic certification programme were written into the 1990 Farm Bill. The Organic Foods Production Act of 1990" sets out minimum production standards for all food products sold as organic and will be enforced as of 1 October 1993. The Act also provides initial standards for organic animal production.

Organic products may be labelled as such and imported into the USA only if the products are certified and if the US Department of Agriculture (USDA) determines that the certification programme meets US standards. Additional information on production and handling specifications can be obtained from the USDA (see Useful addresses).

#### Distribution channels

Organic produce are imported by importers/wholesalers who supply a wider range of retail outlets (health

and specialty stores) than for regular produce but the distribution pattern remains the same.

It is relatively difficult to sell fresh organic produce to supermarkets unless the supplier can offer a regular supply of high quality products at modest unit prices. On the other hand, stores and produce markets specializing in organic produce have a policy of encouraging new suppliers and allowing them free shelf displays on a trial basis.

#### Market prospects

Prospects for exports of organic produce from developing countries are very good particularly for off-season fruits and vegetables as demand is increasing rapidly.

Sales of organic produce in the USA are expected to grow annually by 20%, leaving room for new suppliers from developing countries to enter the market.

Potential suppliers include developing countries in Africa with a sound fruits and vegetables production base, particularly for off-season organic items such as green beans, oranges, apples, peaches, pears, grapes, tropical fruits and vegetables (such as okra), cassava and fruit juices.

#### Useful addresses

United States Department of  
Agriculture (USDA)  
1301 New York Avenue, N.W.  
Washington, D.C. 20005-4788

United States Food and Drug  
Administration (FDA)  
200 "C" Street, N.W.  
Washington, D.C.

Organic Foods Production Association  
of North America (OFPANA)  
P.O. Box 1078  
Greenfield, MA 01302  
Tel: (413) 774 7511  
Fax: (413) 774 6432



**Specialized publications**  
(non exhaustive)

Organic Food Matters  
Committee for Sustainable  
Agriculture  
P.O. Box 1300  
Colfax, CA 95713

Organic Market Report  
Committee for Sustainable  
Agriculture  
P.O. Box 1300  
Colfax, CA 95713

Organic Times  
New Hope Communications  
1301 Spruce Street  
Boulder, CO 80302

Organic Food Business News  
P.O. Box 208  
Williston, ND 58802

Natural Foods Law Letter  
450 West 24th Street, Suite 2F  
New York, NY 10011

Natural Foods Merchandiser  
328 S. Main Street  
New Hope, PA 18938

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