

# The Challenge of Organic Production

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## The Organic Revolution

For me, the organic revolution began about 1972. I was making programmes for the BBC Russian Service and, because journalists have a passion for anniversaries, I was asked to serialise a book which had been published exactly 10 years earlier. I had never heard of the book, but when I read it, it began a revolution in my life. The book was *Silent Spring* by Rachel Carson; it was a devastating critique of the misuse of poisonous chemicals in industry and agriculture. Almost every sentence reads as though it was written yesterday not 37 years ago. For example:

"The central problem of our age has therefore become the contamination of man's total environment with substances that accumulate in the tissues of plants and animals and even penetrate the germ cells to shatter or alter the very material of heredity upon which the shape of the future depends.

I contend that we have allowed these chemicals to be used with little or no advance investigation of their effect on soil, water, wildlife and man himself. Future generations are unlikely to condone our lack of prudent concern for the integrity of the natural world that supports all life."

Remember that these words were written three decades before salmonella in the British egg industry, BSE, the misuse of antibiotics as growth promoters, E.coli and - of course - GM0s.

There is an alternative, which is gaining ground all the time: organic agriculture. It is revolutionary because at its core is the assumption that greed cannot always be satisfied, that yield and cosmetic perfection are usually bought at the price of nutritional poverty if not chemical contamination, that you cannot mine the soil's resources indefinitely without putting anything back, that it is the height of delusion to imagine that you can with impunity wipe out every single insect, fungus or bacterium that happens to be in your way, that it is just plain wrong to inflict needless suffering on animals - in short, the organic approach strives for the positive health of the soil, plants, animals and people and the satisfaction of present needs without compromising the chances of future generations.

## The Organic Market

Mintel's Market Intelligence report into Organic and Ethical Foods in November 1997 predicted that the UK organic market would increase by 40% from £260M to £367M between 1997 and 2001 - a figure which looks conservative in the light of developments in the past 12 months.

In February 1999, Corporate Intelligence on Retailing published a report entitled "The European Market for Organic Foods". It assessed the total retail sales of organic food in 8 states accounting for 85% of the EU's GDP at around \$5bn a year or 2% of total food sales. Significantly, it forecast continued rapid growth of between 20% and 40% over the next two or three years.

By way of confirmation, Sainsbury's reported in January 1999 that its organic sales had reached £1m per week, double what they were selling one year before. Both Waitrose and Sainsbury's ran major organic promotions last year and will do so again this year. Marks & Spencer, having dropped out of organics in the early 90s, is back again. Indeed, all the major retailers are rapidly building their organic ranges.

But the size of the organic market is still very small - perhaps 2% of UK food sales by the end of next year. Depending on your viewpoint and the size of your company, this can be either a disincentive or a challenge - imagine a market 98% underexploited!

## What is Organic Food

Broadly, it is food produced without the use of synthetic fertilisers, herbicides, pesticides, hormone growth promoters, routine antibiotics or GMOs. Organic farming works with nature, using crop rotations, beneficial insects for pest control, timely cultivations, and humane standards of animal welfare.

In terms of processed foods, organic means made with ingredients which are the result of such organic agricultural systems and without the use of certain additives and processing aids.

The word "organic" has a legal meaning and is the subject of a regulatory framework in the UK, the EU and in several other parts of the world. No food may be sold as "organic" unless the producer is registered by an approved Organic Sector body.

There is a presumption that organic food should also be healthy. Indeed, the Standards of the Soil Association, which certifies over 70% of all UK organic production, state (para 9.102):

Locally produced foods and ingredients should be used wherever possible to reduce the energy involved in transporting goods and to support local communities.

Processing should be minimised so as to maintain the nutritional quality of the food

The processing operations should be energy efficient

Packaging should be minimised and/or be recycled and be recyclable to avoid wastage

These requirements raise important questions for conventional producers and retailers. Going organic, as I will discuss in more detail later, is not just a matter of substituting organic ingredients for non-organic in an unchanged recipe; the whole process needs to be examined for its compliance with both the letter and the spirit of the organic regulations

## Legislation

A quick look at the regulations. The European Council Regulation (EEC No 2092/1991) came into force on July 22nd 1991. It applies to unprocessed agricultural crops products, to products intended for human consumption composed essentially of one or more ingredients of plant origin and it introduces specific rules for the production, inspection and labelling of such products.

The European Regulation is administered in the UK by UKROFS - the UK Register of Organic Food Standards. UKROFS oversees the activities of the private inspection bodies (sometimes known as 'sector bodies') of which there are currently four in the UK:

The Soil Association which began life in 1946 and has been developing written organic standards since 1973. The Soil Association certifies over 70% of all UK organic production.

Organic Farmers & Growers Ltd

The Organic Food Federation

The Scottish Organic Producers Association

Internationally, the organic movement is coordinated by IFOAM, the International Federation of Organic Agriculture Movements, which has its own set of standards. These do not have legal force, but form the basis for international agreement between different national or regional regulatory frameworks. Importers of ingredients from outside the EU must ensure that the producer has been inspected and certified by a scheme which is acceptable to UKROFS.

There are several different schemes operative in the USA (which is developing its own national standards).

### Getting Certified

To get certified, a company must approach one of the UKROFS-licensed 'sector bodies', let us say The Soil Association. It will receive a comprehensive pack including a copy of the Soil Associations Standards for Organic Food & Farming and an application form which asks detailed questions about the products and processes involved in the proposed organic operation. These cover exact product specification, storage of ingredients, separation of organic and non- organic materials during production, hygiene, packaging and so on. The key issue is traceability: the organic processor must be able to identify his organic product right through the system, from receipt of ingredients through processing to the final customer. He must also be able to prove, by reference to operating control systems and, ultimately, purchase and sales records, that he has used organic ingredients to make all the products which he is selling as 'organic'. An inspector will call to examine the premises, systems and records of the proposed operation. The application procedure costs £300 and there is an annual licensing fee to pay on all products sold as organic - in the case of The Soil Association, it is currently 0.3% of invoiced sales, with a maximum of £5250.

### Ingredients

Getting hold of organic ingredients is a lot easier now than it used to be. It will involve getting to know some new suppliers and traders. And, almost always, it will mean paying more. The higher price of organic ingredients results partly from lower yields, but mainly from the small volumes traded. As the organic market grows, differentials are reducing.

The aspiring organic baker will notice that organic suppliers have a more limited range of varieties or specifications. You can find organic margarine, for instance, but the choice may be limited to either cake margarine or pastry margarine. Organic butter is available - at a price - but I have not seen organic fractionated butter suitable for laminated pastry work.

In some cases, the exact equivalent will not exist in organic form.

Hydrogenation of fats, for instance, is not permitted. Only a limited number of additives and processing aids is allowed. So, even with a relatively simple product like a bread, some reformulation is almost certainly required.

### Going Organic

So, you're convinced there's a market for organic, you've got certified, you've sourced some ingredients - what should you make?

For the reasons just given, simple replication of existing lines is unlikely to work beyond a certain point. Remember that the organic consumer is, almost by definition, more concerned with food values than her unenlightened counterpart. Although there is clearly a market for organic indulgence foods - chocolate cake and ice cream come to mind - there does not seem much point in trying to create organic versions of the sugary, fatty, salty, brightly coloured, artificially flavoured, over-processed junk which constitutes all too much of the average modern diet.

Organic, for me, implies respect - for the environment in which plants and animals are raised and for the people who eat the food which they give. I suspect, however, that as the organic market grows, there will be more and more pressure from large retailers to extend organic into almost all food areas, however trivial.

The Soil Association's processors advisory committee (on which I sit) has been asked by one manufacturer for permission to use sodium hypochlorite at concentrations of 200 ppm. This was not to clean surfaces or equipment, but to soak prepared lettuce leaves in order to extend their shelf life to the preposterous number of days required by the supermarket customer. I must say that in my

organic world there is no place for such a trivial misuse of chemicals. I believe that the certifying bodies will have to state clearly that certain processed products cannot exist in organic form.

Going organic is an opportunity to examine the quality and nutritional integrity of your products and to build added value into every new formulation.

#### Risks and Future prospects

With great consumer interest, a rapidly growing market and the possibility of charging up to 30% more for an organic product, the prospects look decidedly tempting. But there are a few problems besides the obvious ones - for larger bakers - of small initial volumes and higher distribution costs:

First, as I have tried to suggest, going organic is much more than a change of supplier or the development of a new range. It requires a culture change in the organisation, from production to marketing to top management. If the integrity which lies at the heart of the organic philosophy does not take root, the whole enterprise can turn sour. Production people may fail to understand the vital importance of separating organic from non-organic, they may cut corners and in the worst case the organic licence could be withdrawn. If NPD and marketing people fail to empathise with the organic consumer's concerns, they may end up trying to sell the wrong products in the wrong way. And if top managers expect the organic venture to make a lot of money quickly, the chances are that they will be disappointed and will want to get out as fast as they wanted to get in.

Second, competition will grow, of course. Indeed, the smaller specialist companies which have helped to create the organic bakery market, may find themselves pushed aside in favour of private-label manufacturers who, now that the market seems to be reaching critical mass, are being nudged into organic production by their supermarket customers.

Third, a further complication may arise if the EU Organic Regulation is amended to prohibit organic production in non-dedicated premises. At the moment, separation by time is accepted for most processing operations. But already the Soil Association insists that fruit and vegetable packers must have dedicated lines for packing organic produce and it is difficult in logic to see why this obvious guarantee of organic control and traceability should not be extended to other kinds of food processing.

Fourth, on the ethical horizon is the issue of fair trade. From a moral standpoint, there is a contradiction in setting standards for food production which protect the environment but say nothing about the working conditions of those who grow the ingredients, especially (but not only) those in the third world. IFOAM is already drafting fair-trade amendments to its standards and there is likely to be significant pressure to change the EU Regulation in due course. Companies who feel uncomfortable at the prospect of a social audit being part of their organic inspection might be better off not embarking on the process at all.

So, as with any worthwhile venture, the risks are real and numerous. The market is still small, however fast it is growing. But, when all's said and done, there has never been a better time or better reasons to be making and selling organic food.