

The Organic Millers Tale

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The British Society of Baking description of the Conference highlighting organic issues, used the phrase this new profitable sector that offers opportunities for everyone. This paper intends to place that observation into the context of a rapidly developing and changing market which whilst it clearly does have the scope for profitability, also has a number of large pitfalls to entrap the unwary.

F. W. P. Matthews Ltd.

My great great grandfather, Frederick Matthews was a farmer and corn & seed merchant based around Shipton under Wychwood, who decided in the early years of the last century to build a flour mill rather than continue to send large quantities of soft English biscuit wheat to the port mills. The mill was completed in 1912 and local farmers delivered wheat by horse and cart which was milled and sent to the large biscuit manufacturers such as Huntley & Palmer in Reading and Jacobs in Dublin in 280lb sacks!

It is interesting to note that the farmers practised traditional rotations in those days with cereals grown between vegetables with pasture for livestock and without the use of artificial fertilisers or chemicals. It could therefore be said that we have been milling organic wheat for 90 years with a short break in the middle!

The milling business has had to change and adapt to the prevailing agricultural and economic conditions placed upon a family owned milling business, and by the 1980ís the mill was producing a full range of flours including a large volume of chapati for the ethnic market.

In 1992 I attended the annual organic conference at Ryton Gardens, and my notes at the time comment on the loads of enthusiasm shown by the delegates who seemed to be on a health mission desperate for commercial viability! It was notable that only one supermarket (Safeways) attended, and at that time the sole interest was in the fruit and vegetable sector. However the company saw the opportunity and developed a strategy to begin the milling of organic wheats. For the first few years most of our organic flour was milled under contract which enabled us to perfect our process and monitor the growth in the market. At an early stage, we gained accreditation with the Soil Association, and realised that in order to maintain the necessary high standard of mill management organic processing required, including the large amount of necessary documentation, we needed to improve our day-to-day control on our business. We therefore instituted ISO 9002 to enforce this, and we remain one of the only organic millers to operate to this standard.

Organic Registration

Any reference to the word 'organic' used in labelling a product is a legal definition enforceable under EU law by trading standards officers. UKROFS (The United Kingdom Register of Organic Food Standards) is responsible for administering the

law in the UK, including the auditing of all the accreditation bodies. All retailers, processors or importers must be accredited with a recognised body. These are:

The Soil Association (Accounting for 75% of all registrations)

The Organic Growers and Farmers

The Organic Food Federation

Scottish Organic Producers Association

Demeter (Bio Dynamic Agriculture)

Irish Organic Farmers and Growers.

There is a significant timelag between first registration and accreditation following inspection, and all sectors of the food chain must continue to undergo an annual inspection to confirm an audit trail for all their organic products and raw materials. This process adds a significant oncost to organic milling.

The Organic Market

The previous speaker, Ian Toal, has outlined in detail the main characteristics of the organic market, but from a miller's view-point they can be summed up as follows:

- ï The organic sector is no longer a minority niche, but a main stream market.
- ï Growth appears to be increasing year on year.
- ï The market is very dynamic producing short term fluctuations in demand which exacerbate supply and process problems.
- ï The organic sales patterns are notoriously difficult to predict.
- ï The future growth of this sector will depend upon the industries ability to supply the consumer with a high quality attractive product (which is not always the case at present), and the supermarkets degree of enthusiasm in selling those products.

UK Organic Production

There are 240,000 hectares of land in the UK under accreditation of which 75% is still undergoing conversion. Of this only 16% is under arable cropping. The environment coupled to organic agronomic techniques makes the UK less well suited for the production of high protein quality milling wheats, and therefore despite the projected quadrupling of arable production in the next three years, it is unlikely that organic millers will be able to source significant quantities of home-grown wheat, and will remain reliant on medium protein wheats from Europe and high protein supplies from Canada and possibly Australia.

Imported Wheat

All organic wheats imported into the UK, must enter via an accredited importer and be accompanied by the relevant certification including a European Community Certificate for the Import of Products from Organic Production, endorsed by an approved issuing body.

With the advent of the ban on the use of conventional gluten in organic products, high protein Canadian wheats will continue to be in demand as they allow the miller to achieve the necessary flour strength without the addition of extremely expensive organic gluten.

For Canadian organic wheat there are a number of factors that need to be taken into account. The Canadian organic production system is more rigorous in some areas than its European counterpart as the time for conversion to organic production by farmers is increased to five years, thereby slowing down potential land under production. There is also a requirement to separate organic grain at all times down the supply chain. In reality this has led to a separate supply chain moving grain on trucks only carrying organic products, through elevators solely handling organics. For supply to the EU, the grain is elevated into containers and shipped in 20 tonne parcels. The average timelag from elevator to UK mill is 21 to 28 days resulting in an additional storage cost in order to take account for increased process requirements, as well as additional administration in conforming with EU tariff regulations.

The necessity of securing imported organic wheats at competitive prices on long term supply agreements has to be balanced against the risk of oversupply and the requirement to off load stock into a small and potentially difficult market. On the other hand, the reduction of risk by short term wheat purchasing, can lead to an erosion of margin as the supply becomes squeezed and the sale price remains fixed.

In the longer term this supply source may potentially become more difficult, as even if the volumes increase, the trade must remain in containers as there are no accredited bulk elevators capable of handling larger shipments. The Canadians also have a high growth organic market adjacent to them in the US, which is currently commanding much higher retail premiums for its organic breads, making this an attractive market with no requirement to contend with the EU tariff restrictions.

There is an increasing availability of Eastern European organic wheat which is available in bulk, but is not as high quality as the Canadian and cannot be used as a total substitute.

Once wheat arrives in the UK, Matthews Flour Mills use one accredited organic haulier and storekeeper to handle all the grain designated for the mill, including the ability to discharge containers.

Process Issues

Whilst the standard of Canadian wheat is very high, the organic production systems have difficulty in achieving the specification of the conventional wheats both in uniformity of grain size and the degree of admixture. Whilst this is relatively easy to rectify through the cleaning process, it does lead to increased costs in wastage of an exceptionally high value raw material.

Much of the organic wheat is extremely dry which requires a two stage dampening process with much greater laying times.

Segregation of the conventional and organic milling streams is mandatory and must be backed by audit trail. Currently it is possible to use the same machine line for both streams, but this requires a time consuming and thorough clean-down and flushing process which adds a significant oncost. It is proposed to end the derogation for the dual purpose use of milling lines within two years, which will then require specialised bespoke flour mills capable of handling a wide range of products.

Mill cleanliness requires very close attention to detail, as pest control and fumigation are extremely difficult. The wheat tends to be more likely to be infested due to restrictions on the use of suitable pesticides on the farm, and in the mill the requirement to clear all organic products from the building whilst fumigation takes place.

By-products must command a high premium for the milling process to remain profitable, but are being sold into an equally small organic feed market, with its own supply and demand pressures.

Marketing

The marketing of organic flour presents the miller with differing issues to that of conventional flours.

Matthews Flour Mills stock between 15 and 20 different product lines. This range is constantly reviewed and increased to satisfy consumer demand.

Whilst the market size is increasing there is still a limited number of consumers for these speciality flours. This is dominated by larger bakeries which, from a miller's perspective, can lead to the all the eggs in one basket syndrome and its associated risks.

The demand can vary substantially from week to week exacerbating process and stock problems.

Conclusion

Organic flour milling now looks to have established itself permanently within the U.K.

The market is increasing year on year, but forecasting the rate of growth is extremely difficult in a volatile market.

The conventional milling sector appears to operate on the maxim large is Beautiful, however for the organic market uses the philosophy small is Mighty!

Securing long term supply agreements from reputable producers both in the U.K. and abroad in order to have as transparent and efficient organic supply chain as possible will become increasingly important, in order to maintain food safety standards.

The standard of management and administration in milling companies must be as high as possible to satisfactorily process and market organic flours due to the increased audit requirements and the particular problems of organic whets.

The barrier to entry will increase as the existing legislation is extended, and the cost associated with organic milling become greater.

Authenticity of organic status must not be compromised by commercial pressures, and it is the trade's duty to ensure this remains protected.

The production of the highest quality organic flours possible is key to our success and indeed will be central to the whole organic food chains future. Consumers will not buy products because they are purely organic, but because they have better taste and texture than their conventional counterparts. The milling industry must play its part to ensure this will happen.

Questions & Answers

Although it was decided that questions and answers would not be included in these Proceedings, the following is included because it raised some fundamental and significance questions in relation to the production and sales of organic products.

Terry Humber, Stevenage. I understand at the beginning you said that a baker who uses organic ingredients might not promote the product as organic. Paul That is correct... Terry I supply a large number of small bakers with organic ingredients, how are they going to sell/promote these products if they cannot refer to them as totally "organic". Paul Well they are in danger of being in violation of the regulations.

As this question is of such importance it will be further investigated and a report will be made in the next issue of the BSB Bulletin. We are quite sure that further reports will be appearing in the trade press.