The Organic
Meat Myth revealed

Opportunities for New Zealand Organic beef and lamb in Europe

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Study date February 1999 to May 1999
Publication Date June 1999

What is the Meat New Zealand Waitangi Fellowship

The Waitangi Fellowship was introduced as part of New Zealand's celebration in 1990 of the 150th anniversary of the signing of the Treaty of Waitangi, the document that has been the basis of Maori/European relationships.

The Meat New Zealand Waitangi Fellowship was established in 1991 to encourage a greater awareness and interchange between the wider meat trades of New Zealand and the United Kingdom.

This scholarship provides an excellent opportunity for individuals to gain first hand experience in the meat industry and international trade issues.

Acknowledgments

Thank you to Meat New Zealand and the Waitangi Foundation for the opportunity to represent New Zealand as a Waitangi Fellow. To all the people throughout my travels who helped me access information, contacts, hosted me and arranged visits to organisations throughout the European Union.

I hope that one day that I can return the hospitality and kindness. You have helped make my study tour unique and very rewarding.

To be given the opportunity to study organic meat production and marketing was not only very personally rewarding, but it gave a signal to those who have committed their lives to organic meat production in New Zealand that the perseverance was all worth while.

Thank you to the pioneers of the organic livestock industry. You have truly made a difference and I hope that in the future you can be rewarded for your efforts.

Finially, a big thank you to the Southland Regional Council who has given me the time off from my employment to pursue this opportunity.

Introduction

I am from an organic livestock farming family in Central Otago New Zealand whom have been certified by Biogro New Zealand for the last 13 years. Currently I am a communications co-ordinator for the Southland Regional Council. Being able to combine on farm technical and commercial experiences with marketing, proved to be a valuable combination during this study.

My investigations took me to Switzerland, Denmark, Sweden, Germany, Belgium, the Netherlands and the United Kingdom. I spent a total of six weeks on the continent and four weeks in the United Kingdom. During that time I met with producers, consumers, processors, importers, wholesalers, supermarkets, specialty stores, European officials, researchers and certifiers to get an overall appreciation of the organic meat industry.

The views expressed in this report are my own and are not necessarily the opinions of Meat New Zealand or the Waitangi Foundation. I have made recommendations based off market signals, which I believe New Zealand should give serious consideration.

Purpose of Project

To investigate organic meat production, marketing and opportunities for New Zealand organic beef and lamb.

Objectives

- To shed light on the commercial viability of organic farming and the developing worldwide market trends.
- To evaluate market opportunities for New Zealand organic beef and lamb.
- To develop positioning statements of market advantage for New Zealand organic beef and lamb.
- To understand the demographics and buying behaviour of target markets in the European union.
- To assess research and development technology advances.

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Executive Summary

New Zealand has the opportunity to sell a very special organic story that connects producers with consumers.

The organic industry is currently experiencing exponential growth. It is the fastest growing retail sector in the European Union.

You can't ignore the increasing numbers of organic products on the retail shelves.

Organics is not a fad; all major players are committed long term, but at present supply is unable to cope with demand. Organic food is no longer a niche market but a significant market sector.

An opportunity exists to supply high quality organic chilled beef and lamb into the European Union under quota to specification in a complementary season.

A window of opportunity exists for organic beef and lamb for approximately the next 3 years at elevated premiums and beef for the next six years. Premiums are predicted to soften, as more products become available.

Potential organic farmers are being wooed with attractive subsidy options.

Many countries have ambitious organic production and consumption targets in place, but nobody can predict how quickly or by how much the market will grow.

Organic meat like other organic products must commercially perform along side conventional. Organic meat is not a threat to conventional production, but a complementary alternative for those who demand choice. Organic is differentiated without damaging the conventional meats credibility.

U.K supermarkets say that New Zealand lamb will always be their priority complementary season alternative after own country of origin.

Value added organic meat products should be considered as the next market development.

Organic production is not a get rich quick scheme. If premiums can be achieved they are often just a compensation for a loss in production.

1.0 The Mechanics of Organics

1.1 Revealing the myth

Misconceptions about organic production are rife and there are even more sceptics quick to criticise a production system they know little about.

Organic production is simply producers working within their lands capabilities to keep animals and crops in peak condition. Organic farmers utilise science and technology to come up with preventative strategies instead of quick fix solutions.

New Zealanders have taken longer to accept organic farming than our European counterparts. The stigma attached to people associated with organic farming in Europe has been almost been eliminated. Those involved are now respected and even viewed with some jealously.

For many the organic conversion period is a conversion period of the mind. Meaning they have to radically change their farm management strategies. Certification agencies note that once a person has trialed organic production they find it is hard to go back to conventional farming.

1.2 What is organic meat?

Organic meat is the product of an organic livestock system. It refers to the way an animal is reared, what foods it eats and what remedies are administered. Animal welfare issues and sustainable land management practices are all taken into account and audited by an approved certification agency.

1.3 Who are the New Zealand certification agencies?

Organic production in New Zealand is certified by two main certification agencies, the Biological Producers and Consumers Council, (Bio-Gro), and the Biodynamic Farming and Gardening Association, (Demeter). Bio-Gro certifies biologically produced product, while Demeter certifies biodynamic product. Bio-Gro New Zealand has the largest number of registered growers. This trend is reflected worldwide with approximately 80% of producers farming biologically and 20% farming biodynamically.

Bio-Gro New Zealand

The Bio-Gro trademark is based on a set of standards for organic production and is recognised by IFOAM; (International Federation of Organic Agriculture Movement) based in Germany. Biological organic livestock farming is all about working within the lands capabilities and using preventative strategies to keep stock in the peak of health. Copies of the Bio-Gro New Zealand livestock production standards can be obtained from head office in Wellington.

The Biodynamic Farming and Gardening Association
The Demeter trademark is recognised by IFOAM and Demeter International. Biodynamic methods include most organic production practices, and in addition some specific techniques to enhance the living qualities of soil and plants. These techniques stress the wholeness of nature, by treating all aspects of the farm and farm life as subtly inter-connected. A biodynamic farmer fine-tunes agriculture processes to harmonise with the natural rhythms of nature, including those of the stars and planets. Copies of the Demeter Standards can be obtained from the association based in Napier.

1.4 How do our standards compare?

New Zealand organic livestock production standards are said to be one of the highest in the world. Climatic conditions, disease risks, environmental factors, legislation and laws make it hard to directly compare each countries organic standards.

One international organic standard would be ideal but unrealistic. The problem is farming in Europe is quite different to the challenges of farming in New Zealand. Even within the European Union it has been difficult to establish a European wide livestock production standard. Until these standards are finalised, variations of livestock standards will continue to be a problem.

Politics are playing an increasingly high profile in the organic movement. Certifiers, producers, the government and commercial enterprises are all competing for a piece of the action. There has been some pressure to further reduce the livestock standards to encourage more to enter the industry, but the debate still rages in this area.

New Zealand livestock standard will always have to be higher than our overseas competitors, but the question is how much better do we have to be? Are we inhibiting a lucrative marketing opportunity because our standards are unrealistically high?

1.5 Certification agencies that excel

Certification bodies in Europe are incredibly powerful and their brands are one of their biggest assets. For example the “KRAV” brand in Sweden is recognised by approximately 80% of the population. Both Sweden and Denmark are incredibly successful at marketing the benefits of organic farming to consumers and supporting their producers.

These same certification agencies genuinely support people in conversion and aim to provide their members with the appropriate tools to produce successfully.

1.6 Issues with certification agencies

The organic industry has grown so quickly that certification agencies are stretched to cope with the demand. For example the Soil and Health Association in the U.K has experienced an increase of 300% in the number of people wanting to convert since the beginning of 1999. Other certifiers have experienced the similar growth.

Commercial companies reacting to market trends are finding it frustrating and very time consuming to deal with certification agencies. This frustration is mainly attributed to each organisation having different priorities. Certification agencies as a general rule are not commercially orientated organisations.

Producers are having to wait for a conversion because of the backlog of work. Not only are certifiers under resourced, but also they often lack experienced staff who can deal with the variety of farming systems and industries they are asked to certify. Anybody considering certification should allow plenty of time to deal with the paperwork.

2.0 Government Support

2.1 Opportunity realised

Governments actively support organic production because of the positive effect it having on their national economy and trade. Regional authorities view organic production as a more sustainable form of farming, which is deemed to be better for the environment.

Organic production is also viewed as a way to reduce agricultural production and the number of imported organic products coming into Europe.

Universities and Agricultural Institutions throughout Europe are receiving significant government funding for organic research and development.

2.2 Playing the subsidy game

Attractive subsides are available for producers in conversion, which is a great incentive to change. Some producers view organic production as a solution for marginal farming operation.

Subsidises are supposed to be a compensation for a loss in production while producers are in conversion. New Zealand producers carry out this conversion period without any financial incentive, so the risk is so much greater.

The U.K Grant Aid Scheme entitles producers in conversion to 450 pounds per hectare for 5 years. 50% in the first year and the rest spread over the next four. This has lifted the game and encouraged many people to convert with the lure of premiums at the end. If the five years of organic farming is not completed the money must be paid back to the government.

European Farmers are concerned that subsidises will decrease and are looking towards New Zealands low cost production systems for answers. The justification for keeping subsidises is that they help to maintain landscapes and countryside values.

2.3 European Organic Livestock standards yet to be set

European Union legislation sets the rules for how products must be produced and processed to bear the word Organic or Bio. Products must bear the label of an approved certification agency for the consumer to be assured of its authenticity.

European standards for crop and vegetable production are set but no organic livestock standards in place. They are predicted to be in place within the next year. This means that each country develops its own certification standards.

An organic lamb produced in Sweden may be produced to different standards than an organic lamb in Germany. A huge variety of standards exist between hundreds of certification agencies.

Breakaway certification agencies have formed as the industry has grown to target particular groups, such as wine producers, horticulturalists or processing companies.

2.4 Gaining Third Country Importation Status

To ensure an exporting future for New Zealand organic products into Europe, we need to gain third country importation status. To attain this status an application proving New Zealand meets the all the EU legislative requirements in the organic arena must be presented to the European Commission in Brussels. There is some urgency to complete this task as the deadline for completion is looming.

The major challenge has been getting a competent authority, which has to be a government agency, to audit the New Zealand certifiers, BioGro New Zealand and Demeter. This is process is currently being assisted through OPEG, the Organic Producers and Exporters Group in conjunction with MAF and the certification agencies.

2.5 Organics promotes regionality

European meat purchasers will try to purchase country of origin products before they will buy externally. Up to 70% of organic products are imported, which is a sore point for many producers, especially when they don't have their own marketing efforts co-ordinated and are potentially missing out on premiums.

It is becoming trendy to specify where meat products come from in restaurants. It's not just lamb, but Baverian lamb produced in the South of Germany.

An argument exists that a product can't be called organic if it has travelled half way around the world using non-renewable fossil fuels. This energy expenditure is referred to as food miles. Certification agencies actively promote this concept to consumers.

Food miles are an artificial trade barrier and should be laid to rest with factual calculations of New Zealand v's European energy expenditure from gate to plate. I expect the energy expenditure in producing an animal in Europe would outweigh the percieved benefit of buying locally.

Although country of origin is actively promoted, the reality is that Europe can't supply organic products year around in the qualities that are demanded.

3.0 Growth in the organic sector

3.1 Development of the Continent versus UK

Organic farming was originally a vegetarian concept, and the development of organic products has followed similar lines. Initially sales begin with fresh fruit and vegetables, then cereals and dairy products. Typically meat products have only been introduced recently in any significant volumes. The continents organic meat market has developed more slowly than the U.K mostly because of poorly co-ordinated marketing efforts.

European organic market development can be mainly attributed to cultural, environmental, health and animal welfare issues, while the U.K has been suddenly thrust into the organic culture via media debate over genetically modified foods, food safety and the previous B.S.E scare.

Continental European markets are viewed as difficult to crack because of the extended distribution channels, language barriers and cultural differences, however just as much potential exists there as in the U.K.

Lamb is not highly consumed meat on the continent, which is a hang over from post war mutton experiences. If organic lamb was introduced as a specialty product to people who eat organic, they are probably more willing to try something new than other consumers.

3.2 Organic issues on the Continent

In Europe livestock farming is often considered a waste of good food production land. This philosophy is a result of inefficiencies in livestock production and the pressure on space to produce.

Specialty products such as salamis, sausages, pates, and meat spreads are well developed compared to chilled cuts of beef and lamb.

Organic producers are finding the cost of production very high, which is reflected in the price of the meat. This means that the price of organic meat is often out the price range of the average householder and is mostly sold in high priced speciality stores.

In the Netherlands, Flevoland has the highest number of organic producers. Whole areas are dedicated to organic production and if you choose to live in these organic zones then you must produce organically or derive business from organic products.

Flevoland consists entirely of reclaimed land. It has been the Dutch peoples chance to have another go at looking after the environment and that is why there is such an emphasis on organic production.

In Sweden farm incomes of equivalent organic and conventional farms have been compared and it is the organic farmers who are attaining better gross margins than conventional. It would be valuable to carry out this exercise in New Zealand, so those considering conversion get a realistic idea of what they are in for.

European farmers believe organic meat production gives them more options. They can sell their product as organic, integrated production or conventional depending on the market situation.

Austria, Denmark and Sweden are exceptionally good selling the organic concept. These countries lead the way for total amount of land under organic production. Denmark at a government level has developed a plan for action, which aims for 100% of organic agricultural production. Although Germany was one of the first countries to promote organics it is one of the last to follow through with it.

Europe has some quality and co-ordination issues for meat products and this provides the opportunity for New Zealand organic meat.

In European organic livestock production they have a strong emphasis on welfare standards. There are spacial arrangements which animals have to have. This is the organic farmers biggest production constraint, because land is so expensive and space to limited.

4.0 Livestock Production Technology

Organic livestock farming technology and methods, especially in the animal health area, were of limited use to New Zealand farming systems. This is due to the fact that producers are still allowed to use conventional health remedies with little impact on their organic status. Natural health remedies are not actively promoted because they are not licenced. Also with sheep production being on a very low scale on the continent there is not much incentive to put money into this area.

A great deal of scientific research is going on into organic production which is of specific benefit to European farming systems, but are often not transferable to New Zealand certification standards or to our pasture feed livestock systems. ENOF, European Network of Organic Farming is an excellent initiative where research is funded by the EU and shared for the benefit of the whole industry.

5.0 Marketing

Europe has one thing we will never have and that is population and consumer power. Since organic food is showing such promising commercial opportunity the number of players in the industry are increasing all the time.

Organics is for growth, but what we don't know is by how much, how quickly and for how long. Retailers are still testing the organic meat market and will continue to supply products for as long as their customers want them.

At this early stage of organic meat industry it is hard to ascertain how many people eat organic meat. An emerging trend shows that those who do eat organic meat eat smaller portions than those that eat conventional.

Although stories of great premiums are splattered over the pages of magazines, there is still a great deal of organic product sold conventionally throughout Europe. Being able to supply significant volumes consistently throughout the year is the main problem. Also producers in Europe don't tend to be focused on producing to specification; as they are market takers rather than market makers.

5.1 Why people buy organic

The main reasons people choose to buy organic food are personal health concerns, pollution related illnesses, concern for the environment, animal welfare and ethical reasons along with taste and food safety. The week there is a health scare, instaneously the sales of organic product increase.

For some people the main reasons for buying organic meat is the way an animal is raised. One company in Germany has set up an animal welfare friendly label to exploit this one specific marketing advantage, but acknowledge that in the future organic would take over.

Perception plays a very important role in peoples purchasing decisions. Organic means different things to different people. Lifestyle, income, circle of friends, fashion and stage of the life cycle influences organic food purchasing decisions.

An increasing number of parents are buying organic food for their children, but not necessarily themselves. Parents concerned with food safety want to give their children the best start in life. Around 50% of the entire baby food market is now organic throughout Europe. In the future it will be interesting to see if those buying behaviours continue on as the child gets older and will that child as an adult buy organic product?

A number of people who eat organic food are vegetarian, but there is also a group that became vegetarian after the B.S.E scare who are now turning back to organically produced meat because they feel assured of its safety.

Supermarkets expect clean production and increasing demands are being placed on suppliers to ensure production is environmentally sensitive, animal welfare friendly and safe. Dependence on artificial chemicals and fertilisers are being challenged. Meat will have to be "natural" or "organic", there will be no other standards accepted. It will also have to be justified and backed up with proof. Additionally in the future to qualify for Farm Assurance programs in the U.K, meat willl have to be guaranteed free of transgenically modified organisms.

5.2 What are organic customer characteristics

The words "organic" and "biologic" are viewed as a brand and are highly valuable and recognised words European wide.

Organic buyers are often grouped into the high disposable income category, but the rule doesn't always apply. There is also a number of people on lower incomes who buy organic because they believe in it. Never under estimate the power of the consumer to buy organic product for no other reason that it appeals to them at that particular point in time.

Three main groups of people buy organic products that are dubbed greenies, foodies and feel goods.

- **Greenies** - Those who buy organic products no matter what. These people read labels, ask the tricky questions and believe in the whole organic concept.

- **Foodies** - Those who are passionate about not just good food but great food and buy organic because they believe it tastes great.

- **Feel goods** - Those that don't necessarily buy organic products all the time, but will buy it as a treat when they have money left over at the end of the week. These are the buy for the moment people.

5.3 What methods of marketing are being used

Farm shops

Farm shop enterprises are very successful because they create an entertainment opportunity for the whole family. Consumers treat themselves to buying organic food produced on farm, with the additional bonus of seeing a farm in action and meeting the animals. Some Farm shops extend their product range by buying in products from off the farm. Farm shops work in Europe because they have a solid population base from which they can draw customers.

Direct Marketing

Direct marketing methods and box schemes are used successfully by many producers where orders are placed for meat and then delivered to customers doors. It is still one of the most common ways producers sell their products, however the balance is now shifting to more sophisticated retail outlets including butcherys, health food stores and supermarkets.

The Internet is used as a tool to facilitate direct marketing efforts. Meat box schemes have also been set up to supply products to customers who forward order. Some schemes work through local health food stores where the customer can order a week ahead and pick up the product when they do their next shop.

Co-operatives

European distribution co-operatives began with organic enthusiasts rather than marketers. Many haven't coped with the expansion of the industry and have been pushed out by conventional distribution companies who can use existing distribution channels and more efficient systems. Many of these co-operatives spend to much time organising small orders for low margins and high distribution costs.

Co-operatives like BioFarm in Switzerland help market meat products on their producer's behalf. They have developed from a direct marketing customer base to now supplying larger retailers. Larger clients may push margins down, but the advantage is the company can forward plan significant volumes with their producer.

Retail Outlets

Specialist retailers such as health food stores were the first to stock organic products. They still have highly committed regular clients who value product information and personalised informed service. However supermarkets have embraced the organic movement and are committing a huge amount of resources long term.

A great deal of criticism exists about the multi-nationals move into this area, but the reality is they have given organic profile and helped mainstream organic products. Convenience and price still play a key role when people buy organic food. If organic products are to be main streamed then there needs to be a one-stop shop for purchasers.

The U.K organic meat marketing arena has a higher level of sophistication than on the continent, but supermarkets have aggressively made inroads into this market. Supermarkets have their own label organic lines, which are distinguishable from conventional lines. These products are easily recognised throughout the store and are profiled with point of sale marketing material. Sainsburies in the U.K was one of the best at this.

It is believed that meat won't form a large component of health food stores, as they are more vegetarian orientated.

The inconsistency of personnel can pose a problem when trying to establish markets. Often the organic sections in supermarkets are handled by a number of different people who are frequently changed.

Catering

Gate Gourmets, (a division of the Swiss Air Group) organic airline food concept, Natural Gourmet, is helping them differentiate themselves in a highly competitive airline catering market. From surveys Swiss Air found that passengers wanted more natural food so they created the Natural Gourmet concept with the aim to be a market leader. Although airline food was not one of the top arguments for passengers wanting to fly a particular airline it may tip the balance for other airlines to use their service.

Currently at least 50% of the food on the Natural Gourmet menu is organic or takes into account fair trade considerations. Tasty, nutrious food with excellent eye appeal is still of the upmost importance when designing inflight menus.

An opportunity exists to supply this market but the challenge is to be able to supply cuts to very detailed specification. Gate Gourmet aims to buy very high quality, which they are finding hard to access. Most of their meat products are being sourced from South America.

5.4 What types of meat products are being sold

The opportunity for organic beef and lamb will mostly be a chilled market, because when people buy organic they perceive it to be a fresh product. Long term there is an opportunity for frozen and further processed frozen meat, but in the mean time most who buy in the freezer cabinet are budget buyers.

As in conventional meat marketing the challenge is selling the whole carcasses. You have the same problems selling organic lamb flaps as you do conventional ones. The higher priced cuts have to compensate for the lower priced cuts, to attain an overall premium.

Unlike specialist butchery shops, supermarkets pack off site and don't have the facilities to repack if a product doesn't sell by the use by date. Some stores have a higher wastage percentage for organic meat because they haven't structured the price according to their stores customer base.

Opportunities exist for both lamb and beef, although it is difficult with quota allocations to get beef into Europe. Companies should seriously consider supplying organic beef at higher premiums than lamb demands. It takes longer to finish beef so therefore longer to saturate the market compared to lamb.

With a good lamb quota allocation it shouldn't be difficult tapping into the lamb market. The difficulty is predicting how long it will stay at the current premiums.

5.5 In store market strategy

In Switzerland, Migros, one of the two major supermarket chains has created their own organic certification standards. They also market an integrated production line alongside their organic lines. The labelling of each of the lines are very similar and if buyers aren't careful they could think they were buying organic when they are not.

U.K, Danish and Swedish Supermarkets label and market their organic products very well, while other European supermarkets hadn't clearly located products in store. Germany with its 59 certification agencies with different logos created confusion unless you know what you're looking for.

A market strategy engaged by many supermarkets for profiling organic products was to create an area in the store with an example of all the organic products stocked and then double place them along side the conventional products.

Organic products do sell well but they don't sell themselves. There still has to be an excellent marketing and promotional effort to support the product. Often retailers will subsidise product into the store to get it established. Retailers in Europe don't feature meat as highly as the United Kingdom.

Packaging of organic products no longer has that recycled look, but are colourful and use conventional types of packaging. Certification agencies promote recyclable, reduceable or reuseable packaging. Packaging and presentation of meat must emphasise the freshness and the wholesome taste appeal.

Meat must be viewed as a food not meat and must look highly attractive and unrelated to its animal origin in the chiller. If organic meat is to move into the freezer cabinet the challenge is to make it look more attractive.

Organic meat may not appear in every supermarket store, as outlets are selected on the demographic group the store is trying to attract.

5.6 The marketing mix

Price, packaging, volumes, product appeal and location on the shelf all play a big role in purchasing decisions. To a limited few price plays no role at all, but to the majority of consumers price is the biggest contributing factor to why people buy or don't buy organic meat.

Retailers find that up to a point a consumer will tolerate a premium but after that sales drastically fall off. Success of organic meat sales depends on meat being given good profile on the shelf.

Retailers want to be assured that meat can be supplied consistently throughout the year otherwise they won't commit to it. That is why only small lines of meat are available in the chiller. One sure way to turn customers away is to not have product available when they expect it to be there.

One way processors have tackled the price differential, is by packaging product in smaller quantities to keep the perceived unit price down. In Europe meat is sold per hundred grams rather than per kilogram, which also helps to make the price appear more compariable.

When marketing an organic product, emphasise the word organic or Bio because those are the things that consumers look for. Also be wary of the labelling regulations for organic products, it can be difficult to get this right.

Location of the retail outlet is critical. Research shows that most consumers will only travel within a five-mile radius of their home to purchase food.

Health Food stores create customer loyalty by keepings their customers informed. They help people buy into a concept, a story, a process and a belief. On the continent sales of organic products are orientated more towards health food stores than supermarkets, while in the United Kingdom it is exactly the opposite.

Specialty high value shops have a real place with organics. They target the true food lovers with the higher disposable income. Full shops are not completed here, its more about feeling good, buying for self-gratification and to be seen with the bag walking out of the shop.

In Europe Sunday window-shopping is very important, and retailers will dress their windows especially for that day to attract sales for that week. Weekends are everything and are key marketing times.

5.7 Premiums

Price plays the largest role in people's organic meat purchasing decisions because it is a high cost item in the shopping trolley each week. Health food shops are able to demand a higher premium because of the type of customers they attract, but supermarkets in there attempt to convert the unconverted find that price is the biggest sticking factor.

Surveys completed by individual supermarkets find that consumers would prefer to buy organic products if they had the choice, but often price makes them change their mind once they enter the store.

The amount spent per week by a family buying organic and a family buying conventional has been compared. There was hardly a difference because the organic shopper buys less processed foods and smaller amounts of higher priced commodities such as meat and dairy products.

Premiums for organic meat vary from country to country, retailer to retailer and producer to producer and depend on product availability and rearing difficulties. Beef can demand a premium of up to 100% because of the time it takes to produce an animal, a lamb between 20-40% and Pork and Chicken up to 200-300%. These premiums are supposed to reflect the difficulties in producing these animals organically.

Premiums have softened on the continent and are beginning to mirror conventional prices. Conventional prices for many meat products are at an all time low. The concern is that conventional prices will recover, but organic might not move in proportion, therefore reducing the incentive to farm that way.

5.8 Quality issues

The professionalism of organic product has rapidly improved. It no longer has that hippy product image, but is highly commercial. Organic meat is expected to be of the same or even higher standard than conventional. If people are paying a premium for their meat they expect a high degree of product integrity.

At present a greater specification range for beef and lamb is being tolerated, but that will change when supply starts to reach demand. Once buyers have a choice of suppliers they will be able to push the premiums down.

Quality assurance programs, traceability, along with organic certification are demanded by all the major retailers. Customers who buy organic really do want to know where the product comes from and who produces it. Organic production brings producers and consumers back into old-fashioned food relationships built on trust and quality.

6.0 Starting an industry

6.1 Where to from here

Marketing organic meat has the same challenges as conventional and that is why it's only until now that it has really started to develop. One of the only ways to feasibly set up an industry to consistently supply European markets is to for organic livestock producers to form partnerships with processing companies.

New Zealand has to work on getting enough farmers to produce the volumes that are required year around. Those producers who are already in the industry or in conversion now are the primary target group. Those interested in converting need to be encouraged also but it will be at least three years before they come on line.

Processing companies can attain organic certification of their plants and use existing distribution channels, quota allocations and licences to supply markets. However in this fledging industry it is important to emphasise the word partnership. It is important that both producer and processor understand and respect each other's areas of expertise.

It is important that organic meat marketing is approached strategically and that companies don't complete fruitlessly to fragment the market or flood it. Prices must be maintained at a level realistic for organic farmers to produce economically. Clear signals must be given to farmers about realistic premiums and production requirements for next season, because it is harder to switch quickly in an organic system.

Individuals will find it costly to buy quota, attain licence and transport small volumes, however the advantage of this is you maintain control of the marketing effort. This type of marketing may suit exporters supplying specialised outlets on the continent.

6.2 The Reality

Organic farming is not a get rich quick scheme. It is not for the faint hearted with up to three years of transition to become a fully certified organic producer and incurring a loss in production over this time.

If you can gain a premiums for organic meat it is often just a compensation for a loss in production. Premiums are not guaranteed. However if you are prepared to enter into this farming system long term you can be rewarded in supplying an increasingly demanded product. Market chasers beware.

6.3 Does organic meat threaten other markets?

The only threat that organic farming poses to conventional, is that it challenges the way conventional farmers think. Meat producers of New Zealand have been sceptical that organic product will jeopardise the marketing of New Zealand natural lamb and beef, but all major retailers tell a different story. Organic meat is differentiated without discounting conventional. Let's face it over 95% of retailers business is still conventional foods, so they are not going to jeopardise that.

6.4 What are the Challenges

The challenge is to make organic profitable using the quantities available with our distance from the market. Europe is also incredibly regulated and it is difficult to negotiate distribution channels. You can't load extra costs of production and distribution on the meat otherwise the prime cuts become unmarketable.

Supermarkets set the trends, not producers and consumers. Our distance from the market makes producers complacent and often immune the urgency required to respond to changing market needs.

One of the biggest dangers for the organic industry at this fragile point would be a media scare that tries to undermine the industry. Although the media has been one of the greatest assets to the industry it could also be its greatest downfall.

7.0 Positioning Statements for organic beef and lamb

New Zealand has

- an ideal climate and farming system for organic production.
- a broad genetic base of animals exist that be selected for to cope with organic farming systems.
- the infrastructure and ability to process organic meat already exists.
- producers are experienced in producing to specification and to high quality standards.
- an excellent reputation and a story, which organic meat can built off.
- geographical isolation from pests and diseases, is nuclear free with the potential to be G.M.O free.
- an excellent food safety record.
- organic meat can be produced highly competitively
- certification agencies to inspect product
- markets already available to tap into

8.0 Recommendations

New Zealand's biggest marketing opportunity is to be a country free from transgenically modified organisms. Consumers Europe wide have been very critical of the way that modified products have been introduced through the backdoor. Many of the major supermarkets in the U.K have formed consortiums to purchase non-genetically modified product. This is one of the first times supermarkets have taken a complete turn to satisfy customers.

There is a greater need for research and development into organic farming techniques if New Zealand is to set up a sustainable industry. An organic MRDC monitor farm would be a real benefit to the industry and comparative analysis of gross margins of organic v's conventional farms. The only way to prove the credibility of the industry is to prove organic production methods with science.

National and International research needs to be co-ordinated to form a New Zealand organic handbook or quide book of how to get started in organic. At present it is just trial and era.

New Zealand exporters should seriously consider being part of the year 2000 BioFach and U.K Natural and Organic Foods trade fairs. Many other countries have got together to form a country of origin pavilion. These are flagship trade shows with plenty of opportunity.

New Zealand doesn't want to be pushed into a position of being a raw commodity trader, it needs to be an innovator to ensure the future of the industry. Value added opportunities should be pursued now before the market becomes flooded.

The myths of organics need to be revealed and the community educated about what organic production is about. Not just producers but also consumers.