

Rural Development Sub-Committee

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A review of land management actions under Axis 2 of the Rural Development Plan for Wales 2007-13: Submission by Organic Centre Wales

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Please note that this written submission is provided in advance of a meeting of organic sector stakeholders scheduled for 10th November 2008, which is intended to prepare a full response to the consultation document. The conclusions presented in this written evidence may therefore be subject to change.

Contribution of organic farming to environmental goals

As is made clear in the consultation document, organic farming has the potential to contribute to several relevant environmental goals, including reducing the carbon footprint of farming, supporting biodiversity, conserving soils and water quality and reducing pollution from pesticides and fertilizers. In addition, organic farming reduces fossil energy and other non-renewable resource use. For livestock and mixed farming systems typical of Wales, the total system productivity differences between organic and non-organic systems are less than 10%, so that the benefits of organic farming that are clear on a per ha basis can also be delivered on a per tonne food produced basis, thus helping provide a sustainable route to ensuring food security. Specifically:

Organic crop rotations include a fertility building phase designed to restore soil fertility and organic matter, which compensates for carbon losses due to cultivation and in the longer term increases carbon storage in the soil.

Organic farms, by not using synthetic fertilisers, pesticides and herbicides, significantly reduce fossil energy inputs per hectare compared with standard farm practice. This outweighs increases in fuel use due to mechanical weed control operations. In most cases, energy use per tonne of food produced is also lower, despite lower yields.

The restrictions on synthetic fertilisers and biocides also reduce the greenhouse gas emissions, in particular from nitrous oxides associated with their manufacture and spreading.

Organic standards emphasise concepts of self-sufficiency, closed cycles and low external inputs, which contribute to the sustainable use of non-renewable resources.

Organic livestock are mainly grass fed from the farm's own resources, with reduced reliance on feeds produced elsewhere. As a result, stocking rates are lower on organic farms, balancing the greater prevalence of animals in arable organic farming systems.

While methane emissions per unit food produced may be higher on organic farms, due to lower yields/stocking rates, these are typically more than offset by the reduction in other greenhouse gas emissions, notably carbon dioxide and nitrous oxides, resulting in reduced overall global warming potential.

Many research studies have identified the positive impact of organic farming on biodiversity, ranging from soil organisms to plants, insects, birds and wild mammals. This is due to the reduced or non-use of fertilisers and pesticides, the diverse cropping systems and positive approach to hedge and field margin management in lowland systems. In the uplands, lower stocking rates, mixed stocking of cattle and sheep and feed/fodder production on-farm all contribute to enhanced biodiversity.

While organic farming is often associated with lower yields compared with intensively produced crops, the FAO and others have recognised the potential of organic farming to increase yields in subsistence agriculture where access to external resources is limited, and to provide a premium export market to assist economic development. In more industrialised contexts, the productivity 'gap' between organic and conventional systems is significantly reduced if total system productivity is compared, rather than yields of individual crops, due to the benefits that can be derived from integrating crop and livestock production and emphasising livestock production from forage not cereals.

Organic farming in Wales reached 6.4% of total agricultural land area at the end of 2007, and over 9% of arable area, including horticulture and temporary leys, where the environmental and climate change impacts are greatest.

Rationale for current organic farming scheme and payment levels

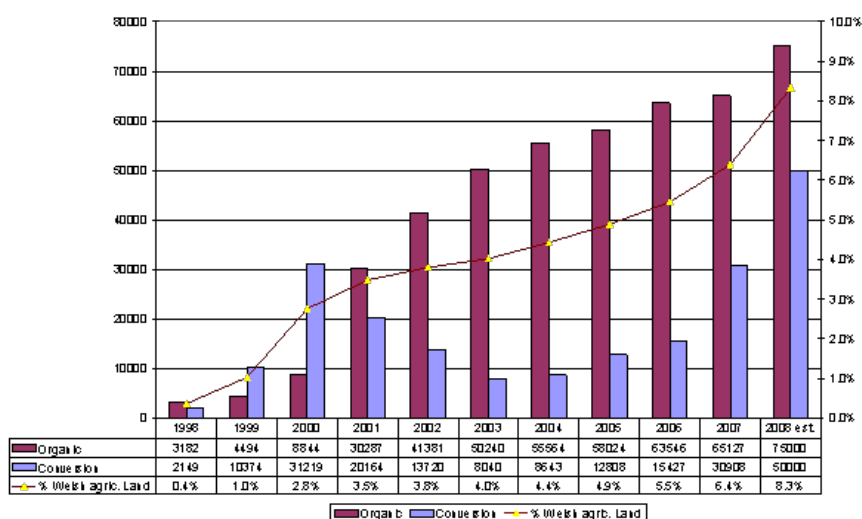
The organic farming scheme is designed as an agri-environment scheme primarily to capture the environmental benefits that can be derived from organic land management. While it also enables producers to convert and take advantage of the specialist market for organic food, this is a secondary consideration. The market for organic food both reinforces and complicates the operation of the Organic Farming Scheme. There is a case for separating the two issues, as in Sweden, by not requiring OFS participants to be certified as organic. Certification would then only be taken up when producers could see specific benefits from engaging with the market. However, a separate inspection regime would be required, increasing the transaction costs of the scheme, which is why most EU countries have opted to use organic certification (which is itself governed by EU regulations) as the basis for ensuring compliance.

Under the new Welsh scheme, there are no additional environmental requirements. This is because many of the previous requirements are now covered by cross-compliance and GAEC and others complicated both administration of the scheme (e.g. mapping) and the relationship between the OFS and other agri-environment schemes, resulting, when schemes were combined, in unpopular dual funding deductions and delays completing agreements. The new scheme has the virtue of simplicity and the potential to reduce administration through integration with the Single Application Form once current teething problems have been resolved.

The payments are currently set to be higher during the conversion period than under full organic status in order to compensate for income reductions and compliance costs which are higher during the first two years of conversion than subsequently. During conversion, the emphasis may need to be on fertility building rather than cash crops, yields may be lower as the organic system is not fully established, costs may be higher due to diversifying the farming system, and there is normally no premium price available for in-conversion products. Once converted many of these issues do not apply (at least to the same extent). According to EU rules, premium prices need to be taken into account in calculating the payment rates, although not all farmers may benefit from them, and market conditions could change within the life of an agreement.

Projected uptake of organic farming and budgetary implications

In 1998, only 80 producers in Wales were organic - by May 2008 the figure is nearer 1,000 and may reach 1050 by the end of the year. Typically, 100 producers a year have taken the step to convert their farms, though in 2007 150 converted and in 2008 probably a similar number will convert. The implications in terms of land area and per cent of Welsh agriculture can be seen in the Figure below. In recent years, approximately 1% of Welsh farmland has been converted to organic production each year, reaching 8.0% in 2008. Continued growth of 100 farms and 1% of farm land converting each year will result in the second Welsh action plan target of 10-15% by 2010 being achieved, with perhaps 13% of Welsh farmland managed organically by 2013. It would not be unreasonable to anticipate 20% of Welsh agriculture being organic by 2020 if current trends are maintained.



Sources: Defra, WAG, IBERS

On the basis of previous OCW estimates, this level of conversion implies an increased spend on the organic farming scheme of about £1 million per year, although this is strongly influenced by the higher level of payments in the first two conversion years. However, as the organic sector grows, the proportion of in-conversion land should decline, reducing the cost of the scheme per farm. £5.1 million has been allocated for 1100 farms in 2009. If the number of farms increases to 1500 by the end of 2013, the budget might need to increase to £8-9 million per year by that date.

It should be noted that this year's financial difficulties are a result of both the increased interest and the closure of the scheme, with some farms converting in late 2006/early 2007 only receiving their first payments now, but receiving 2 years' payments together. This illustrates the problems that can arise with scheme closures, causing serious financial problems for producers as well as for WAG. OCW has agreed to work closely with WAG to help avoid similar problems in future.

Market implications of the growth of the organic sector in Wales

There is concern that the rapid increase in the organic sector this year, combined with reduced consumer demand resulting from the economic downturn, will lead to over-supplied markets and reduced prices for established organic producers. The rapid increase in 1999/2000 similarly led to over-supply problems, at that time particularly in the dairy sector, with many producers achieving organic status in 2002/03 unable to find an organic outlet for their milk. The resulting lack of market confidence resulted in a significant slow down in conversions, particularly of dairy farms, as the chart above illustrates. At the same time, demand continued to grow, to the extent that shortfall conditions were experienced in 2006/7, and there are still concerns about undersupply in the organic dairy sector now. While parts of the organic market have experienced reductions in demand this year, others, including milk, have experienced increases. The overall situation is little different to that being experienced by other non-organic sectors currently.

However, the main expansion in 2007/08 has been in beef and sheep production, and the market for these products is now well

supplied. OCW is currently surveying producers to get a better understanding of when product is going to become available. It is likely that the main increase in full organic status supply will take place in or after 2010, by which time we expect to see some recovery in the demand situation. Despite this, we have identified the need to work closely with WAG and HCC on developing the market for organic beef and lamb, particularly in terms of Welsh PGI status, Welsh retail and catering sales, including public procurement, and developing the export market of Welsh organic lamb and beef. The first joint initiatives in this direction have been taking place this autumn, and it is our intention, consistent with the Second Welsh organic action plan, to develop this work further next year.

Conclusions

1. We support the proposals to achieve closer integration of agri-environment schemes, including Tir Mynydd and the Organic Farming Scheme, and to seek to deliver carbon-related objectives alongside current biodiversity, soil and water protection objectives
2. We believe that there is a case to explore inclusion of animal welfare and agro-forestry type programmes, as provided for in the European regulation
3. We believe that there is a case for closer integration of the Organic Farming Scheme and Tir Gofal, at least to achieve a single application process, provided that:
 - a) A stop/start approach to funding is avoided so that markets are not disrupted by producers delaying conversion until new Tir Gofal funds are available
 - b) The benefits of the somewhat painful process of changing the Organic Farming Scheme to be administered through the Single Application Form are not lost - the habitat options may need to be seen as supplementary to the OFS core to make this work

This suggests that a stand-alone combined Organic Tir Gofal scheme may be preferable.

4. We believe that the OFS funding levels envisaged in the consultation are not compatible with the problems faced this year and the Minister's statement on October 22nd. Assuming an average annual intake of ca. 100 farms per year, which is consistent with the growth of the organic sector in Wales in the last decade, then a growth of ca. £1m per annum in the OFS budget will be necessary.
5. We believe that the market impacts of the supply growth can be absorbed in the long term - as experienced in previous recessions, the demand reductions resulting from the economic downturn will be reversed as the economy recovers - if supply is not available to respond, then the market growth will be supplied by imports as happened in the 1990s.
6. The Organic Farming Scheme should not be used as a mechanism to artificially encourage or limit the numbers entering the organic market. Periods of closure have in the past led to a build-up of farmers waiting to enter the scheme, resulting in larger numbers converting simultaneously when the scheme reopens, and more serious market disruption when full organic status is achieved.

Annex: Statistical data for the Welsh organic sector, 2006 and 2007

		Defra Welsh certification data	OCW autumn	Wales total	2007 organic share of		
		end 2006	end 2007	Change	2007 survey	agric. 2006	2006 Welsh agric.
Holdings	Number	710	857	21%	710	24313	3.5%
Land use							
Total area	Hectares	78973	95865	21%	no data	1499606	6.4%
Cereals	Hectares	2144	2361	10%	4100	40931	5.8%
Other arable	Hectares	1557	1618	4%		19777	8.2%
Potatoes	Hectares	99	96	-3%	140	2026	4.7%

Horticulture	Hectares	244	322	32%	110	1211	26.6%
Tillage	Hectares	4044	4397	9%	4350	63945	6.9%
Temp grass	Hectares	10564	11286	7%	no data	99661	11.3%
Arable land	Hectares	14608	15683	7%	no data	163606	9.6%
Permanent grass	Hectares	63103	78976	25%	no data	1266464	6.2%
Woodland/other	Hectares	1262	1206	-4%	no data	69536	1.7%
Livestock numbers (excluding non-organic stock on organic farms)							
All cattle	Head	41612	45096	8%	43850	1322788	3.4%
Dairy cows	Head	9346	11069	18%	13000	280968	3.9%
Est. milk output	Million litres	50	61	22%	60	1573	3.9%
Beef cows	Head	8470	8985	6%	10500	223616	4.0%
Est. finished cattle	Head	8000	8500	6%	7850	140000	6.1%
All sheep	Head	279361	367597	32%	289000	9350699	3.9%
Ewes	Head	148935	179122	20%	140000	4072678	4.4%
Lambs/yearlings	Head	129359	185762	44%	149000	5020955	3.7%
Other	Head	1067	2713	154%	no data	257066	1.1%
Poultry	Head	153800	120689	-22%	no data	6122800	2.0%
Laying hens	Head	45823	28102	-39%	41000	1173974	2.4%
Est. eggs	Mill. dozen	1.1	0.7	-39%	0.8	30.0	2.2%
Table birds	Head	80018	83750	5%	no data	4029995	2.1%
Est. finished birds	Thousand	280	293	5%	no data	20150	1.5%

Other poultry	Head	28059	8837	-69%	no data	286364	3.1%
Sows	Head	16	82	413%	55	2983	2.7%
Other pigs	Head	194	649	235%	450	22183	2.9%
Goats	Head	35	28	-20%	no data	no data	no data
Camelids	Head	318	323	2%	no data	no data	no data
Horses/donkeys	Head	214	390	82%	no data	no data	no data
Deer	Head	342	426	25%	no data	no data	no data
Other	Head	138	545	295%	no data	no data	no data