



# Organic Action Plan

Scottish Executive



SCOTTISH EXECUTIVE

**Making it work together**

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## Foreword



I am delighted today to publish the Scottish Executive Action Plan for Organic Farming.

I believe organic farming has an important contribution to make to the protection and enhancement of our rural environment, and to the provision of good food which customers want. I congratulate the Organics Stakeholder Group on their quick and constructive work to help the Executive develop this Action Plan.

The publication of this Action Plan marks a very important step forward in the Scottish Executive's support for organic food and farming. It commits the Scottish Executive to helping the Scottish organic sector to achieve its potential to supply at least 70% of Scottish demand for organic products which can be grown or produced here. It also commits us to working with the organic sector to achieve its potential to double the area of good quality agricultural land in organic conversion or production.

We are proposing important action to help the Scottish organic sector meet these ambitions. For instance, we will consult *now* on changes for early implementation, including improved payments for organic conversion, new payments for conversion of land for fruit and vegetable production, better advisory support for organic converters and options for continuing payments beyond the conversion period to secure environmental benefits which might otherwise be lost. We will also prioritise *now* assistance for the organic sector through our Processing and Marketing Grants Schemes, to promote a joined-up organic food chain and increased success for Scottish organic products in the marketplace.

The publication of this Action Plan is one stage in the development of our support for the organic sector. The Organics Stakeholder Group will continue its work to look at further possibilities for the development of the sector. The Scottish Executive will report annually to the Scottish Parliament on the progress of its support for the organic sector and in doing so will take the opportunity to consider what further policy development is desirable.

A handwritten signature in black ink, which appears to read "Ross Finnie".

**Ross Finnie, MSP**  
**Minister for Environment and Rural Development**

## Introduction

- 1.1 This Action Plan, developed with the advice of the Organics Stakeholder Group, sets out the Scottish Executive's intentions for future action to support the development of the organic sector in Scotland. It commits the Executive to a series of actions which will deliver the Forward Strategy for Scottish Agriculture's priorities for the organic sector and responds to the challenges set by the Rural Development Committee of the Scottish Parliament in its Stage 1 report on the Organic Farming Targets (Scotland) Bill.
- 1.2 The Scottish Executive's vision is of a prosperous organic farming and food sector which ensures that, as far as possible, demand for organic products is met by Scottish producers, and which makes a strong contribution to the sustainable environmental management of Scotland's agricultural land and water resources. Through this Plan, and the action of the organic sector itself, the Executive aims to see accelerated growth of organic farming where this can make the best contribution to environmental sustainability. We want to see Scottish organic produce succeed in the marketplace, bringing to an end the situation where imported produce meets a disproportionate amount of demand for organic produce.

### Our commitment to action

- 1.3 Achieving our aim of building a prosperous and sustainable organic sector will rely on many factors, including individual decisions by individual businesses, and by consumers. For its part, the Executive will act, within the powers and resources available to it, to remove barriers and create conditions to help the sector to develop such that:
  - For products where Scotland's climate supports organic production, Scottish organic products can secure a market share at least the same as that attained by Scottish non-organic produce. Only an estimated 35% of organic produce sold is currently provided from domestic sources (as opposed to around 70% for non-organic products). We want to see Scottish organic products grow in market penetration so that they can meet at least 70% by value of overall Scottish consumer demand for organic products which can be sourced in Scotland, as well as succeeding in the broader UK and international markets.
  - There can be a doubling of the area of arable land and improved grassland in organic conversion or production, with a view to these areas comprising 30% of Scotland's organic area by 2007, against a current 15%.

1.4 To help the organic sector achieve these targets, specific action is proposed in the following areas:

### **Organic farming**

Support for organic farming, including consultation *now* on changes for progressive implementation in 2003 and early 2004 including:

- new payment rates to give a better incentive to organic conversion where this can be of greatest environmental benefit and best meet market needs, including arable land;
- a new payment for conversion for vegetable and fruit production;
- more support for advisory help for organic converters;
- introduction of assistance through the Organic Aid Scheme for capital costs associated with conversion; and
- options for support for organic producers beyond the initial conversion period.

### **Marketing**

Support for the effective marketing of organic produce, including:

- prioritisation *now*, under the Executive's Processing and Marketing Grant Schemes, for assistance towards projects which help organic producers exploit market opportunities; and
- support *now* through Scottish Enterprise for the development of Scottish organic branding.

### **Research**

Research to support the development of the Scottish organic sector, including:

- commissioning a scoping study *now*, informed by Organics Stakeholder Group expertise, to identify key research findings and research gaps relevant to the further development of the sector, followed by targeted research to address these gaps.

### **Standards**

Development of organic standards appropriate to Scottish circumstances, including:

- identification *now* of Scottish priorities for the current development of new UK arrangements for the application of organic standards, for implementation when new UK organic standards measures are put in place by *autumn 2003*.

- 1.5 The publication of this Action Plan represents a stage in the development of the Scottish Executive's support for the organic sector. The Action Plan sets out what we believe is achievable now. It is intended to set a direction for work to be done now and to inform choices by the new Scottish Executive in the first year after the May 2003 election. Its results will be seen over a longer period of time, stretching over the lifetime of the next Scottish Executive and beyond. Policy will continue to develop as market circumstances change, as research helps inform change and as, through reform of the Common Agricultural Policy and Scottish Executive Spending Reviews, potentially available policy instruments and resources change.
- 1.6 The Organics Stakeholder Group will continue to advise on the further development of policy. Between now and the end of March the Organics Stakeholder Group will look at issues which have been identified as top priorities for further work, including:
- detailed implementation of the measures set out in this Plan;
  - organic food's place in the promotion of healthy eating; and
  - public procurement issues.
- 1.7 The Scottish Executive will report annually on what it has done to support the development of the organic sector in Scotland. It will use this process to record progress against the actions in this plan, to report on the development of the organic sector, and to ensure that its policies on organic food and farming continue to adapt to changing circumstances.

## Background: organic farming in Scotland

- 2.1 Organic farming is based on enhancing the natural biological cycles in soil (e.g. nutrient cycling in the soil), *crops* (e.g. encouraging natural predators of crop pests) and *livestock* (e.g. development of natural immunity in young animals); on building up soil fertility through the use of nitrogen fixation by legume crops such as clover and enhancing soil organic matter; and on avoiding pollution. The declared aim of organic farming is to work *with* natural processes and to minimise the use of non-renewable natural resources. Organic farming principles set specific requirements in relation to animal health and welfare.
- 2.2 EC Regulations 2092/91 and 1804/99 define minimum standards for organic production. These include:
  - restriction on the use of fertilisers to organic and specified mineral products;
  - a prohibition on the use of most artificial pesticides, herbicides and insecticides;
  - the use of multi-annual rotations to maintain the fertility of the soil;
  - the use, from 2004, only of organically-produced seeds and seed tubers;
  - prohibition on the use of genetically modified organisms in any way;
  - use of positive management strategies for disease avoidance in livestock;
  - requirements for the composition of animal feeding stuff, including a requirement from 2005 that this should be sourced entirely organically; and
  - requirements for animal husbandry that meets high standards of animal welfare.
- 2.3 Comparisons between organic and non-organic farming methods are not straightforward, and non-organic farming supports important biodiversity and landscape benefits when it is practised with appropriate care for the environment. However, there is good evidence that organic farming has a strong contribution to make to environmental sustainability. A study of current scientific evidence commissioned as part of development of DEFRA's organic action plan showed that typically there were significant biodiversity, pollution control, energy efficiency and soil protection benefits associated with organic farming methods. The delivery of these benefits is a core reason for supporting organic farming.

- 2.4 EC regulations require that organic farmers must be registered with an approved sector body which itself must be approved by a 'national certifying authority'. In the UK, this authority is the UK Register of Organic Food Standards (UKROFS), which will be replaced by a new body in the course of 2003. The three main approved organic certification schemes operating in Scotland are the Bio-dynamic Agricultural Association, the Scottish Organic Producers' Association, and the Soil Association. These organisations can set organic standards which exceed those specified in the EC Regulations, for instance in relation to higher animal welfare standards and the conservation of landscape features, although the policy intention of the UK Government is that in future certification should be available to farmers who wish to apply the EU standards without any additions, without prejudice to the sector bodies' ability to offer certification to their own higher standards.
- 2.5 The Scottish Executive's policy is to support the organic sector, on an equitable basis with support for conventional farming, where organic production can help protect or enhance the environment or can help ensure that market demand is, as far as possible, met by Scottish produce. The Executive recognises that organic farming, done well, can have important biodiversity, landscape and pollution control benefits which merit support, and that there is potential for increased market penetration by Scottish organic products.
- 2.6 Within that overall policy, the Forward Strategy for Scottish Agriculture, developed in conjunction with experts from the farming, food, consumer and environmental sectors and published in July 2001, identified priorities for the organic sector. Action 18 of the Forward Strategy emphasised the importance to the Scottish organic sector of identifying and tailoring production to consumer demand and market outlets; developing the supply chain so that organic producers are matched by sufficient processing capacity; identifying finishers to whom producers of store lambs can sell their produce; ensuring the availability of the right business and technical advice; and ensuring that the operation of organic standards reflects Scottish conditions.
- 2.7 Organic farming has been practised in Scotland for many years – organic smallholders at Damhead near Penicuik were supplying local markets as early as the 1950s. The Scottish organic sector has, however, seen considerable growth in recent years, supported by financial incentives from the Scottish Executive.
- 2.8 Scotland makes a strong contribution to organic farming, building on our tradition of extensive farming. Over 425,000 hectares of land (8% of Scotland's agricultural land area) are in organic production or conversion. Out of this amount, 304,000 hectares is currently supported by the Executive's Organic

Aid Scheme, which offers financial assistance during the first five years of organic conversion and production, and most of the remaining area was converted with the assistance of this scheme. Scotland currently accounts for 57% of the UK's land in organic production or conversion.

- 2.9 Scottish entrepreneurs have had some success in developing organic products which succeed in the marketplace. For instance, *Simply Organic's* range of organic foods has secured UK-wide supermarket distribution, and other success stories include market penetration of organic ice-creams produced by *Cream O'Galloway* and others.
- 2.10 There are, however, problems with the way the organic sector has developed in Scotland. A very high proportion of the land converted to organic status is upland rough grazing. Although there has been little research so far on the environmental benefits of upland organic farming, this high percentage of upland conversion has not delivered the wider range of environmental benefits across Scotland that would be delivered by additional organic conversion of land on mixed and arable farms. Store lambs produced on upland rough grazing are often not sold on to organic finishers. Production and demand have not always been in line with each other, leading to gluts of some organic products on the market while demand for other products has principally been filled by imports. Some organic standards have been applied in a way which has been a barrier to farmers who want to convert to organic status. Consumers have sometimes found it difficult to identify Scottish organic produce clearly from the range of labelling on food.
- 2.11 Ultimately, the success of the Scottish organic sector will be determined simply by its ability to produce organic goods which consumers believe are worth paying for, because they enjoy the taste and believe in environmental and nutritional benefits which result from organic production. The Scottish Executive can, however, help the development of the Scottish organic sector through its agri-environment programme, its support for capital investment in the processing sector, in marketing initiatives, its role with other UK administrations in setting appropriate standards, and its research effort. In doing so, the Executive aims to support a range of environmental, social and economic benefits.

## Support for organic farming

- 3.1 The Scottish Executive provides financial support for organic farming because of the public goods provided by organic farming. This helps deliver the Agriculture Strategy's commitment to an agriculture industry which plays a major role in sustainable rural development and is a leading player in the protection and enhancement of our environment. The Executive also aims to ensure that its support for organic farming is consistent with helping organic farm businesses to meet market demand.
- 3.2 Since 1994, the Scottish Office and Scottish Executive have operated an Organic Aid Scheme as part of the agri-environment programme, supporting the conversion of land to organic status. This scheme was introduced as a means of securing the environmental benefits of organic conversion, though in practice it has also been a significant factor in the balance between supply and demand for organic produce in Scotland. It offers support for organic farming additional to the support offered through mainstream Common Agricultural Policy measures. The contribution of the Organic Aid Scheme to the growth of organic farming in Scotland has accelerated sharply in recent years:

*Year-on-year growth since 1995 in the number of participants, spending, and number of hectares in the Executive's Organic Aid Scheme.*

Number of agreements in force at 31 March each year							
1995	1996	1997	1998	1999	2000	2001	2002
16	28	39	57	126	434	474	576
Hectares under agreement at 31 March each year							
1995	1996	1997	1998	1999	2000	2001	2002
15,458	16,478	19,062	23,178	75,811	212,263	232,749	304,265
Expenditure as at 31 March each year (£k)							
1995	1996	1997	1998	1999	2000	2001	2002
0	53	88	146	194	1226	3485	4943

- 3.3 Much of the recent growth in the area covered by the Organic Aid Scheme is accounted for by the growth of the area of upland rough grazing included in the scheme:

OAS breakdown by land type as at 31 October 2002		
Land Type	Hectares	Cost in 2002-03 (£k)
Arable	15,762	2501
Improved Grassland	29,335	3976
Rough Grazing/unimproved grassland	267,579	1376
Total	312,676	7853

- 3.4 The continued operation of the Organic Aid Scheme on a non-discretionary basis (i.e. where all applications were automatically approved) became a matter of concern to the Scottish Ministers in 2002. Ministers were concerned that the rapid subsidised expansion of the area of rough grazing and unimproved grassland included in the scheme did not represent good value for money and was distorting the balance between supply and demand, since many of the hill lambs produced on land included in the Organic Aid Scheme were being sold on to non-organic finishers and were therefore not contributing to bringing Scottish organic production into line with demand for Scottish organic produce. Ministers were also concerned that, against the background of a necessarily limited agri-environment budget which also had to fund the Rural Stewardship Scheme, the continued operation of the Organic Aid Scheme on a non-discretionary basis would potentially displace other valuable environmental benefits which are purchased through the Rural Stewardship Scheme. In the light of these concerns, the Scottish Executive worked with organic sector partners to develop selection guidelines for Organic Aid Scheme applications, introduced in September 2002, to enable Scottish Ministers to manage the overall agri-environment budget and to concentrate Organic Aid Scheme investment on applications which would be of high environmental benefit and help meet market demand.

#### **Scottish Executive Action**

- 3.5 The development of Organic Aid Scheme selection guidelines was recognised at the time as being only one part of a wider series of possible changes to agri-environmental support for organic farming. Working with the Organics Stakeholder Group, the Scottish Executive has identified further reforms which will enhance its support for organic farming.

- 3.6 Our aim is to support accelerated growth of organic farming where this can make the best contribution to environmental sustainability. Within that aim, we particularly want to support expansion of the arable area and improved grassland area in organic conversion or production, with a view to these areas comprising 30% of Scotland's organic area by 2007, against a current 15%. We also want to see fruit and vegetable production expand substantially from its current low base.
- 3.7 The Executive will take the following action in support of organic farming in Scotland:

**Continued discretionary support for organic conversion.** Organic sector bodies would understandably prefer that *all* applications for subsidised organic conversion were automatically funded. However, within a necessarily limited agri-environment budget, agreed with the European Commission until 2006, the Organic Stakeholders Group recognised that the Organic Aid Scheme would have to continue to operate on the basis that if demand for conversion exceeded available resources, only the better quality applications which were of high environmental benefit and which helped meet market demand should be funded.

**Revised payment rates for organic conversion.** The current payment rates (detailed below) have been in force since 1999.

Year of conversion	AAPS Eligible Land (i.e. arable)	Improved Grassland	Rough Grazing/unimproved Grassland
1	£150	£120	£10
2	£150	£120	£10
3	£50	£50	£7
4	£50	£50	£5
5	£40	£30	£5

In the light of experience, it appears that the arable payment rate is, in certain circumstances, too low to offer a significant incentive for organic conversion, while the payment rate for conversion of rough grazing/unimproved grassland is quite generous. There are likely to be greater environmental gains in the conversion of arable land and mixed farm land, and conversion of this land is also likely to do more to help Scottish agriculture meet demand for organic products. The Executive will therefore consult *now* on revised payment rates with a view to introducing rates which will be a fair reflection of the costs of organic conversion and provide a reasonable incentive.

**Payments for fruit and vegetable enterprises.** The Organic Aid Scheme currently does not specifically provide for conversion of land for fruit and vegetable production. These are areas where there is substantial demand for organic produce (principally supplied by imports) and where organic conversion may have a particular effect in reducing pesticide and herbicide usage. The Scottish Executive will consult on the introduction of payments for conversion of land for organic fruit and vegetable production.

**Advisory support for organic converters.** At present, farmers considering organic conversion, and farmers who have already converted, benefit from significant advisory help funded by the Scottish Executive and provided by the Scottish Agricultural College, including a telephone helpline, an Information Pack and other advisory publications, a website with technical and market advice, and farm walks and meetings associated with SAC's organic demonstration farms. In addition to this, the Scottish Executive will consult on offering funding of up to £300, or 50% of costs, for the costs of advisory help in producing an organic conversion plan.

**Conditional approval of Organic Aid Scheme applications.** The Scottish Executive recognise that applicants to the Organic Aid Scheme may incur significant costs to register with an organic sector body, and that these costs may be incurred without result if an application for Organic Aid Scheme assistance is unsuccessful. The Executive therefore propose to allow farmers to apply to the Organic Aid Scheme without prior registration with an organic sector body, provided that the farmer registers within a reasonable period after he or she has had an application for Organic Aid Scheme assistance accepted.

**Expert appraisal of Organic Aid Scheme applications.** The Scottish Executive recognises that the application of expert judgement is required when Organic Aid Scheme applications have to be evaluated to determine which applications will be funded, and is working with organic sector stakeholders to devise an appropriate means of engaging external expertise in the appraisal of future applications.

**Capital costs associated with conversion.** There can be considerable capital costs associated with conversion to organic status where this requires a major shift in farming system. The Agricultural Business Development Scheme in the Highlands and Islands can already help support the costs of investments in restructuring agricultural holdings in certain circumstances; farmers in the Highlands and Islands Special Transitional Programme (H&ISTP) area may be eligible to apply for support towards investment in holdings projects, provided that these are designed to assist with the

restructuring and re-orientation of agricultural production on their unit and that they meet the other main aims of the scheme. The ABDS is a competitive, cash limited scheme, offers support on a competitive basis to all eligible farmers, and treats organic and non-organic projects equitably. Successful applications can be offered funding of up to 50% of the cost of capital investments, to a maximum of £40,000. While in the rest of Scotland there is no public support currently available for similar ‘investments in holdings’ projects, this issue is under review. The Scottish Executive will also consult on changes to the Organic Aid Scheme to enable it to support capital costs associated with the management of land in organic conversion, e.g. fencing, dyking or hedging costs when a farm is converting from non-organic arable farming to mixed arable and livestock farming.

**Ongoing payments.** A range of EU Member States make continuing payments to at least some organic producers after the initial conversion period, in recognition of environmental benefits provided by organic farming and of the potential for organic producers to revert to more productive but less environmentally-friendly methods. This potentially disadvantages producers in Member States where subsidy (over and above that available to all farmers, whether organic or not) ceases after the conversion period. In considering options for ongoing payments the Scottish Executive has to take account of these benefits of ongoing payments balanced against the overall budget constraints on the agri-environment programme and the possibility of ongoing payments masking market signals. The Executive recognises the case for assistance beyond the conversion period where this can secure significant environmental benefits which might otherwise be lost, and will consult on options for payments for organic producers beyond the existing five-year period, including:

- spreading existing payments (subject to payment rate review) over a longer period;
- ongoing payments for all organic producers; and
- selective environmental payments for organic farmers after the initial five-year conversion assistance.

The Executive will decide which option to implement in the light of consultation responses and best use of available resources.

**Timing**

- 3.8 Changes to the way the Executive supports organic farming through the agri-environment programme will have to be agreed with the European Commission as part of annual revision of the Scottish Rural Development Plan. *The Executive will consult on the proposed changes outlined above between now and March.* In the meantime, we will be working with Organics Stakeholder Group members on refining the detail of some of the options, and will have regard to any possible consequences of the European Commission's current proposals for mid-term review of the Common Agricultural Policy. Ministers of the incoming Executive after the election will be invited to decide the way forward in the light of consultation responses, and subject to agreement with the European Commission changes should be introduced in time for applications to the 2004 Organic Aid Scheme selection round. Support arrangements for organic farming will be taken into account in the Executive's development of Land Management Contracts.

## Marketing organic food

- 4.1 Demand for organic produce has surged in recent years, and there is further scope for Scottish producers to take advantage of this growth. Demand is currently reckoned at around 2% of all food sales in the UK. Demand for organic produce increased by an estimated 55% in 1999-2000, a further 30% in 2000-01, and, according to the Soil Association, a further 15% in the year to April 2002. Around 65% of organic produce is reckoned to be imported, compared to around one-third of all food bought in the UK. This is partly explained by the fact that a substantial amount of organic produce is of a type which can more easily and cheaply be produced in other countries (e.g. citrus fruit, top fruit and salad vegetables), but there is undoubted scope for increased penetration of Scottish produce into markets where our producers are not at a climatic disadvantage. For instance, there is scope e.g. to displace the estimated 30% of processed dairy products such as butter, cheese and yoghurt which are imported and to take advantage of emerging markets in organic fodder and seed.
- 4.2 To help strengthen the position of Scotland's organic food processors and, in turn, its organic farmers, the Executive's Processing and Marketing Grant Schemes give priority to projects which strengthen the organic food chain. Since March 2001 over £3.4m has been awarded to Scotland's organic food processors who use locally sourced organic primary produce. In addition, the Executive has funded the development and publication of 'A Guide to the Marketing of Organic Food' which was produced by the Scottish Agricultural College to assist producers and processors to understand supply chain issues and to provide advice on how to exploit market opportunities.
- 4.3 A key message of that guide is that people considering organic production need to take account of changing market circumstances and to make sure they are anticipating and meeting the needs of their immediate customers at the next stage in the food chain. While there is still a strong premium for certain organic products (e.g. organic farmed fish, and good quality horticultural produce) there is evidence of weakening prices in certain sectors as supply rises to, or beyond, the levels of demand. According to 'A Guide to the Marketing of Organic Food', over-supply of the organic milk market has led to only 46% of the organic milk produced being actually sold as organic, with the surplus being sold as conventional milk without any price

premium for the costs of its organic production. High rates of conversion of organic livestock grazing in recent years are likely to reduce the premium for organic products, and lamb, as well as milk, has seen a surge in supply during 2001 and 2002, leading to a reduction in the price differential with conventional lamb. Other sectors are showing very strong demand – for instance organic baby food is now reckoned to command around half the total market.

4.4 The Organics Stakeholder Group identified a number of constraints and opportunities for the successful market penetration of Scottish organic products.

4.5 Constraints include:

- Problems with availability of Scottish organic produce and the lack of suitable processing facilities, market information for producers, processors and retailers, reducing their ability to make rational market-based decisions about supply and demand.
- Difficulties with clear identification of Scottish organic produce.
- Climatic or technical constraints on the ability of Scottish producers to guarantee reliable supplies of certain premium products, e.g. fruit, to meet the demands of major retailers.
- Domination of the retail sector by large UK/international multiple retailers, pressure on price premiums from the large retailers and difficulty for small local producers in penetrating that market.
- Low uptake by primary producers and small businesses of available training provision in marketing and business development.

Opportunities include:

- The expanding market for processed organic foods ('ready-meals', etc.).
- Potential for greater penetration of the expanding 'food service' sector.
- Local retailing, e.g. through box schemes and farmers' markets.
- Initiatives by the major retailers to source more local/regional food and signpost this clearly to consumers.
- Greater collaboration among organic producers to provide continuity of supply and negotiating power in relation to processors and retailers, and collaboration between enterprises in different parts of the supply chain.
- The promotion of organic food as one of a range of healthy eating choices.
- Increasing demand for organic seed and organic fodder, as current EC derogations on the use of conventional seed and fodder come to an end.
- Producers and processors taking advantage of Scottish Enterprise's 'Food Facts' market information service and 'Market Advantage' programme for the development of marketing skills.

### Scottish Executive Action

- 4.6 It is of course up to individual enterprises to decide how best to take advantage of market opportunities, but the Scottish Executive and the network of Enterprise bodies can help. In doing so, we want to see Scottish organic produce succeed in the marketplace, bringing to an end the situation where imported produce meets a disproportionate amount of demand for organic produce. For products where Scotland's climate supports organic production, we want Scottish organic products to secure a market share at least the same as that attained by Scottish non-organic produce.
- 4.7 Specific action to support this includes the following:
- Through Scottish Enterprise, the Scottish Executive is promoting a wide range of initiatives to help agri-food businesses understand and exploit market opportunities, relevant to the organic sector. This includes promotion of organic food at trade shows, work with producers to help them understand and access new markets, and the development of a database of companies actively involved in the organic food chain, to help purchasers and suppliers to make connections.
  - The Scottish Executive supports work being done through Scottish Enterprise, in conjunction with organic sector bodies, to develop and promote clear Scottish branding of organic produce. Complementary with organic sector bodies' own quality-assured labelling, this should help consumers to make a clear and informed choice to buy Scottish organic products.
  - Through assistance under the Executive's Marketing and Development Scheme (MDS) work is currently underway to address the lack of processing facilities and markets in Scotland for locally produced organic milk (a problem identified in para 4.3 above).
  - Another project assisted by the Marketing and Development Scheme is looking at the availability of markets for locally produced vegetables in the Highlands and Islands.
  - The engagement of the retail sector is crucial. The Scottish Executive will ensure that the Scottish organic sector is able to take advantage of work being done by the Food Chain Centre to promote the identification and exploitation of market opportunities.
  - The Scottish Executive's Processing and Marketing Grant Schemes will give priority to projects which address identified weaknesses in the organic food chain or which help Scottish producers and processors to exploit market opportunities which would otherwise be difficult to take advantage of. Particular priorities identified by the Organics Stakeholder Group include:

- The development of local processing facilities for meat products (too much Scottish organic livestock is slaughtered and processed in England).
- Promotion of collaborative ventures involving producers, processors and/or retailers, including support for the development of co-operative marketing ventures.
- Promotion of local retailing initiatives (e.g. farmers markets, box schemes) where these can add substantial value.
- Initiatives to establish effective availability of market information for producers, processors and retailers.
- Changes have already been made to the Organic Aid Scheme to help ensure that it does not indiscriminately increase production for which there is no market outlet, and the extent to which the application is likely to meet market demands will be taken into account in assessing applications.

### **Timing**

- 4.8 The action set out above is being taken forward *now*. The Organics Stakeholder Group is also doing further work between now and March on specific actions to help the organic sector take advantage of market opportunities, including organic food's place in the promotion of healthy eating, and public procurement issues.

## Research to support the development of the Scottish organic sector

- 5.1 The Scottish Executive already funds 25% of the Government research effort on organic food and farming in the UK. Recent and current SEERAD-funded research has included key factors in sustainable ley-arable farming systems and conversion from ley to arable; modelling weed population dynamics in organic agriculture; genetic resistance to disease in pesticide-free systems; and research on maintaining a competitive position in the Scottish organic fresh food market. The Executive has also published in January 2003 a study of public perceptions of food and farming which examines consumers' priorities for food purchasing.
- 5.2 Discussions in the Organics Stakeholder Group have identified possible topics for further research to help deliver this action plan, in particular to ensure a sound knowledge base about how organic farming methods in Scotland can best deliver biodiversity and environmental benefits; about the development of organic systems appropriate to Scottish circumstances (in particular to support the expansion of arable and mixed organic farming and the expansion of fruit and horticultural production); and information to help producers, processors and retailers to identify, influence and respond to market trends. The Group identified the importance of further research by the Food Standards Agency to quantify the claimed health and nutritional benefits of organic produce, e.g. the claimed higher mineral content of organic food. It also appears from discussions in the Organics Stakeholder Group that there may be relevant extant research which is not currently being applied.

### **Scottish Executive action**

- 5.3 The immediate priority is to identify where the research gaps really are, and to ensure that existing research is disseminated where it is relevant to the development of the Scottish organic sector. The Executive is therefore commissioning a 'scoping study' which will review existing relevant research, signpost it to potential users, and identify research gaps which are potentially inhibiting the development of the Scottish organic sector.
- 5.4 In considering proposals for Executive-funded research on organic food and farming the Executive will give priority to proposals which help to implement this action plan and which fill acknowledged research gaps.

### Timing

- 5.5 The scoping study will be commissioned in *February*, will be completed within 6 months, and will inform subsequent Scottish Executive research priorities in 2003 and beyond. The Scottish Executive is also considering what elements of research can be commissioned *now*, in the light of the Organics Stakeholder Group's views, to take forward priorities which can be pursued in advance of the outcome of the scoping study.

## Development of organic standards appropriate to Scottish circumstances

- 6.1 While the mandatory standards for organic production are specified in European regulations, these standards can be supplemented in various ways. Additional standards can be applied by UKROFS as a condition of organic status in the UK, and in certain respects UKROFS standards (and UKROFS' interpretation of standards) can go beyond what is clearly required by European law. Organic sector bodies can also voluntarily set standards which exceed those specified in European regulations.
- 6.2 The Organics Stakeholder Group supports the continued existence of common UK standards. There is an opportunity at the moment to seek revision of the UKROFS standards and their application. These are being re-examined by the UK Government in conjunction with the organic sector and the devolved administrations with a view to ensuring that when a successor to UKROFS comes into being by the autumn of 2003, organic producers and organic sector bodies can operate standards in a way which takes full account of the particular circumstances of organic farming in Scotland. For instance, the current operation of UKROFS standards has sometimes made it difficult to secure organic status for the progeny of ewe hoggs which have been away-wintered on non-organic land before mating, or to enable the use of suitable locally-available bedding materials for livestock.

### **Action**

- 6.3 The organic sector bodies will contribute to the review of UKROFS' standards and their application to ensure that standards which ensure consumer confidence in organic products are maintained and that they are defined in a way appropriate to Scottish circumstances. The Scottish Executive will work with DEFRA and the other devolved administrations to ensure that the successor to UKROFS operates in a way which is sensitive to the particular circumstances of Scottish organic producers.

### **Timing**

- 6.4 These priorities are being taken into account *now* in the development at UK level of organic standards and their application, for implementation in autumn 2003.

## Further work

- 7.1 The Organics Stakeholder Group believes that this Action Plan sets out practical measures which can be taken forward now to promote the development of the organic food and farming sector in Scotland.
- 7.2 The Scottish Executive will continue to work with organic sector stakeholders in the further development of policy in the light of market developments, changing resources, research and other opportunities. In the short term, the Organics Stakeholder Group will look at detailed implementation of the measures set out here, and at food education and public procurement issues.
- 7.3 The Scottish Executive will report annually to the Scottish Parliament on what it has done to promote the development of the organic sector.

# Membership of Organics Stakeholder Group

Nick Cooke/John Watson, Scottish Organic Producers Association

Carey Coombs, Soil Association

Timothy Brink, Bio-Dynamic Agriculture Association

Craig Campbell, National Farmers' Union Scotland

Christine Manson/Belinda Mitchell, 'Simply Organic'

David Younie, Senior Organic Farming Specialist, Scottish Agricultural  
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Ceri Ritchie, Food Business Management Economist, Scottish Agricultural  
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Martyn Evans/ Lucy Gillie, Scottish Consumer Council

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