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Local Organic Food for Local People? Organic Marketing Strategies in England and Wales

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3 Abstract
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5 Organic agriculture has a totemic role in debates about farming. Domestic organic
6 production is thought to play a role in relocalised food networks. However, little is
7
8 known about the market orientation of organic producers in England and Wales.
9
10 Drawing on a mixed methods approach this paper characterises national, regional and
11
12 local markets for organic food from a supply perspective. It identifies local, regional
13
14 and national market orientation and considers the concentration of marketing channels
15
16 using the Herfindahl-Hirschman Index. The analysis demonstrates the heterogeneity
17
18 of the sector and an uneven geography of organic marketing in England and Wales.
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27 Keywords

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29 Herfindahl-Hirschman Index; Local food; Marketing concentration; Market
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31 orientation; Organic food; England and Wales
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36 JEL codes: Q1; Q12; Q13
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Introduction

The totemic importance of the organic movement in both policy and market terms has spawned a large and diverse literature on organic farming, with evidence suggesting that organic farming can provide a wide range of benefits, including positive employment impacts, improved environmental benefits and support for local and regional economies (e.g. GABRIEL *et al.*, 2009; MICHÈLE and MICHAEL, 2009; RUNDLOF, 2008; LOBLEY *et al.*, 2005, 2009; MORISON *et al.*, 2005; MIDMORE and LAMPKIN, 1994; PADEL and LAMPKIN, 1994; HIRD, 1997). Within Europe, government support for organic farming developed in the late 1980s based on a recognition of the wider environmental benefits of organic agriculture (STOLZE and LAMPKIN, 2009). Since then the area of land under organic management has grown rapidly. From less than 7,000 farmers managing 105,000ha of land in 1985 (STOLZE and LAMPKIN, 2009), by 2007 there were some 7.2 million hectares of organically farmed land in the EU, managed by over 180,000 organic farmers, serving a market estimated to be worth 16 billion Euros (WILLER and KLICHER, 2009). Within the EU the size of the retail market for organic food in the UK is second only to that in Germany (WILLER and KLICHER, 2009).

After a period of rapid growth, the area of organically farmed land has remained relatively constant in recent years. For example, the total area of registered organic land in the UK in 2007 was 682,196ha compared to 694,979 ha in 2003. Since then there has been a slight increase in conversions so that the total area of organic land in 2008 was 743,516¹ (DEPARTMENT OF ENVIRONMENT, FOOD AND RURAL AFFAIRS, 2009a). On the other hand, until very recently, retail sales have grown by approximately 27% per annum over the last decade (SOIL ASSOCIATION, 2007),

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3 leading to an estimated annual market value of £1.9 billion in 2006 and over £2.1b in
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6 2008, although much of this latest increase is likely to reflect rising food prices rather
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8 than an increase in the volume of sales (SOIL ASSOCIATION, 2009). Despite the
9
10 rapid growth of the organic market, constraints in the supply chain, in particular
11
12 limited growth in the area farmed, mean that the sourcing of organic produce is
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14 frequently met by imported food (SOIL ASSOCIATION, 2001), although this varies
15
16 considerably by sector.
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22 Nevertheless, domestic production remains important, not least because of its
23
24 assumed potential to contribute to ‘alternative’ and relocalised food networks. There
25
26 is a frequently perceived link between organic farming and short supply chains
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28 serving local markets (DARNHOFER, 2005). As CLARKE *et al.* (2008 p. 220)
29
30 comment “the supposedly localised nature of organic food is claimed to have reduced
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32 the food miles inherent in conventional food commodity chains and produced a
33
34 trusting (re)connection between the anxious consumer and the responsive producer”.
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36 However, they challenge the “supposedly localised nature of organic food”
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38 (CLARKE *et al.*, 2008 p. 220) and call for more critical and reflexive accounts of
39
40 organic food networks. Indeed, as SMITH and MARSDEN (2004) argue, it is
41
42 important not to treat organic farming as a single homogeneous category but to
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44 examine particular supply chain dynamics in particular organic sectors in different
45
46 regional, local and national settings. For instance, in countries with a large organic
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48 sector, such as Austria, saturation of the local market means that organic producers
49
50 must seek other markets for their outputs (DARNHOFER, 2005). On the other hand,
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52 it has been suggested that in Greece the existing market structure facilitates the direct
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54 marketing of organic produce (DANTSIS *et al.*, 2009) and that Mediterranean and
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3 southern European countries are more often associated with local food cultures and
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5 the persistence of small-scale farming, never having fully completed the transition to
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7 globalised forms of food production and distribution (FONTE, 2008).
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12 In the UK, although Soil Association² data point to a small but growing alternative
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14 retail sector in the organic market (SOIL ASSOCIATION, 2009), relatively little is
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16 known about the market orientation of domestic organic producers, the marketing
17
18 routes they employ and how these vary geographically and by sector. Indeed,
19
20 according to TOMLINSON (2008 p.135), “the UK organic sector is somewhat
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22 elusive”. The overall aim of this paper therefore is to take a fresh look at organic
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24 production in England and Wales in order to explore the market channels employed
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26 by organic farmers, the degree of marketing concentration in the domestic organic
27
28 sector and to consider the market orientation of organic farmers and how this varies
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30 geographically and by sector. Without this more detailed knowledge of marketing,
31
32 there is a danger that commentators will continue to readily conflate ‘local’ and
33
34 ‘organic’ with often misleading and potentially exaggerated conclusions about the
35
36 role that organic farming might play in local and regional rural development
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38 strategies. Consequently, the main objective is to establish the nature of organic
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40 producers’ marketing strategies and in so doing to contribute to the debate regarding
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42 the supposed local nature of organic farming markets in England and Wales.
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53 Organic farming markets

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55 Despite a presumed close alliance between organic food and local food (LOBLEY *et*
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57 *al.*, 2009; CLARKE *et al.*, 2008) which has been explored sociologically in some
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59 studies (e.g. SEYFANG, 2007), few publications have explored the extent to which
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3 organic farming is integrated into the local economy (but see LOBLEY *et al.*, 2009
4 and DARNHOFER, 2005) and as ILBERY *et al.* (2010) point out, not one of the
5 seminal works on marketing considers the marketing channels used by organic
6 producers. Much of the interest in local organic food stems from concerns to reduce
7 the environmental costs of food production and distribution, as well as a desire to
8 reconnect farmers and consumers and help retain income generated by organic
9 producers in the local economy (e.g. CRANBROOK, 2006; ILBERY and MAYE,
10 2005; PRETTY *et al.*, 2005). However, as organic certification regimes tend to focus
11 on the technical aspects of the farming system rather than broader social values
12 (PADEL *et al.*, 2009), certification alone does not necessarily lead to the sort of
13 alternative, localised food systems often assumed to be part of organic agriculture
14 (DARNHOFER *et al.*, 2010). Consequently, in a case study of organic producers in
15 Central Macedonia, DANTSIS *et al.* (2009 p.204) adopt a strongly normative position
16 and argue that if organic producers are to contribute towards sustainability goals they
17 “should select particular and local distribution channels ... so that so-called direct
18 marketing is achieved”. Despite research from several EU countries (e.g. DANTSIS
19 *et al.*, 2009; SEYFANG 2006; DARNHOFER, 2005) suggesting that organic supply
20 chains may contribute to rural development by giving farmers greater control of their
21 market and retaining a greater proportion of food spend in the local economy, recent
22 evidence suggests that in England organic farmers are no more connected to their
23 local economy than are non-organic farmers (LOBLEY *et al.*, 2009).
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55 This may be an indication of the so-called conventionalisation of organic farming and
56 marketing, the process by which, over time, organic farming systems, structures and
57 supply chains increasingly take on characteristics of the conventional system to which
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3 organics is so often seen to be in opposition to. Conventionalisation has been much
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5 debated both as a theoretical concept and observable empirical trend (e.g. DANTSIS
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7 *et al.*, 2009; GUPTILL, 2009; LOCKIE and HALPIN, 2005; BEST, 2008; TOVEY,
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9 1997; HALL and MOGYORODY, 2001), with mixed results. Most writers find that
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11 conventionalisation does not operate as strongly as in the Californian context where
12
13 the concept was developed by GUTHMAN (2004). For instance, GUPTILL (2009,
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15 p.31) in upstate new York, found “moderate but highly contingent support” for the
16
17 concept and suggested that while the drivers of conventionalisation are apparent the
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19 “hypothesised effects do not necessarily follow”. In the former West Germany, BEST
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21 (2008) found “tendencies” towards conventionalisation but also sufficient variation as
22
23 to question the utility of the concept. More recently, drawing on evidence from New
24
25 Zealand, ROSIN and CAMPBELL (2009) have argued that by establishing a dualism
26
27 between the ‘ideal’ and ‘good’ alternative and the ‘bad’ conventional,
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29 conventionalisation fails to recognise positive developments towards more sustainable
30
31 forms of agriculture and fails to give credence to the diversity of ‘organic’. Similarly,
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33 GUPTIL (2009) argues that “the tremendous diversity within the agro-food system
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35 means that ‘organics’ is hardly a more unitary term than ‘farming’” (p.40).
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46 Despite vigorous debate over the conventionalisation thesis and widespread academic
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48 interest in the organic movement, relatively little is known about UK organic markets,
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50 notwithstanding the regular organic market reports produced by the Soil Association.
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52 Unsurprisingly, the rapid expansion of the UK organic market has been slowed by the
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54 recession. Nevertheless, sales continued to grow, albeit at low levels, in 2008 with
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56 sales through multiples growing by 1.8% and sales through non-multiples growing by
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58 1.4%. Interestingly, sales through farmers’ markets grew by 18.6% in 2008. That said,
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3 farmers' markets account for only 1.1% of the UK organic market, compared to the
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5 73.1% share of the multiples (SOIL ASSOCIATION, 2009). Although it is possible
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7 to infer from such studies that most producers must supply the main multiples, either
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9 directly or indirectly, there is little evidence concerning which producers serve
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11 different markets, where they are located, the types of businesses they run, nor the
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13 determinants of any particular approach to the marketing of organic produce by
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15 organic farmers. One exception is provided by ILBERY *et al.* (2010) who draw in
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17 part on qualitative interviews with a small sub-sample of a much larger survey of
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19 organic farmers in England and Wales which forms the empirical basis of the current
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21 paper. Although confined to three 'core' organic areas of East and West Sussex,
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23 Ceredigion and Pembrokeshire, and Devon and Somerset, the paper by Ilbery and
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25 colleagues represents the first attempt to calculate indices of marketing concentration
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27 for organic farms in England and Wales. Their results point to a high degree of
28
29 market concentration with some significant variations between their study areas,
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31 leading the authors to conclude that "the type of marketing channel used by organic
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33 farmers in the case study regions in England and Wales is clearly influenced by place"
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35 (p.971). Reflecting on the somewhat artificial dualism constructed by the
36
37 conventionalisation theses, they also suggest that a "simple binary distinction between
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39 national/commodity markets and local/alternative chains is not always helpful"
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41 (p.967) as a number of producers often combine different local and national
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43 marketing channels. The rest of this paper considers the marketing strategies adopted
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45 by organic producers in England and Wales, exploring the reasons why particular
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47 strategies are adopted and the impact of these strategies on the farms and the
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49 producers themselves. The analysis is based on a large postal survey of organic
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51 farmers which is described in the next section.
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Methods and overview of the sample

A postal questionnaire was designed in order to collect a range of data on the production and marketing of organic food in England and Wales. A sample of 1,532 farms was drawn from a Defra database of organic farms stratified using Location Quotient (LQ) methodology. The LQ measures the relative concentration of a phenomenon (number of organic farms) in each County and Unitary Authority (CUA) by comparing that phenomenon with the total number of farms in the CUA (ILBERY et al. 1999, ILBERY and MAYE 2010). Following ILBERY et al. (1999), the LQ ratio is calculated using:

$$\frac{\text{Number of organic farms in CUA 'x'}}{\frac{\text{Number of organic farms in England and Wales}}{\text{Number of farms in CUA 'x'}}}$$
$$\frac{\text{Number of farms in CUA 'x'}}{\text{Number of farms in England and Wales}}$$

An LQ ratio of 1.0 signifies that an area's share of organic farms is the same as the overall number of farms in that area. Areas with an LQ ratio over 1.0 have a greater relative spatial concentration. However, one weakness of the LQ ratio is its sensitivity to small numbers which can result in some of the smaller geographical units (metropolitan counties and unitary authorities) having to be treated with caution (ILBERY and MAYE 2010). Therefore, to ensure a representative stratified sample, the LQ methodology has been used to measure the relative distribution of organic farms within each Government Office region rather than at the CUA level.³

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6 The survey (which took place in 2007) produced a total of 514 completed
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8 questionnaires, of which 475 were useable for subsequent analysis (a response rate of
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10 32.7%). In addition, a series of focus groups was convened in early 2009 in order to
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12 provide the opportunity for producers to discuss the results of the project and provide
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14 feedback on some of the key questions generated by the study. The locations for the
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16 focus groups were in the study areas of Sussex, in South East England, and southwest
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18 Wales. In practical terms, these areas contained relatively large number of participants
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20 who had indicated a willingness to take part in further aspects of the project.
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27 Overview of the sample

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29 The total area of organic farms in the survey was 84,168 ha, of which 62,260 ha were
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31 registered as organic with a further 7,708 ha in organic conversion. The registered
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33 organic land captured by the survey accounts for 21.3% of all organic land in England
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35 and Wales. The survey not only reflects a significant proportion of organic production
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37 in England and Wales, it also reflects the diversity of organic farming. For instance,
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39 the survey captured a wide range of farm sizes. The mean size of survey farms was
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41 177 ha, of which 132 ha were registered organic⁴.
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50 Farms in the sample operated a wide array of organic agricultural enterprises ranging
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52 from beef and sheep to venison and water buffalo. The two most common types of
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54 farm were beef and sheep (31.3% of sample farms) and mixed farms (25.8% of
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56 sample farms). The relatively large proportion of mixed farms reflects the nature of
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58 organic farming systems which tend to favour mixed farming. The low proportion of
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60 arable farms in the sample (just 4.5%) can be explained in the same way: 38.0% of the

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3 sample reported operating a cereal enterprise but only 9.1% stated that this was their
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5 most important enterprise. The implication is that most farms with arable enterprises
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7 are growing their own feed so, although cereal production is widespread, few farms in
8
9 the sample can be classified as arable.
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15 The overall value of sales recorded by the farm survey was £76 million, of which
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17 73.7% was directly associated with organic enterprises. The mean value of organic
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19 sales per farm was £135,894, although the median value was much lower at £54,000,
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21 suggesting that a few farms account for a disproportionate amount of organic sales.
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23 Indeed, 80% of all farms had organic sales below £200,000 and just 10% of farms in
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25 the survey accounted for over 50% of sales. Of these, one-third were dairy farms and
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27 a further 40.5% were mixed farms. The same 'top 10%' of farms employed one-third
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29 of the workforce, although this increased to 49.9% when only full-time employees
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31 were considered. This concentration of production in the hands of a relatively small
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33 proportion of larger farms is a common feature of the non-organic sector and is one of
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35 the empirical trends which is often seen to indicate the 'conventionalisation' of the
36
37 organic sector (LOCKIE and HALPIN, 2005). However, such concentration trends
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39 reveal little about market channels and resulting local economic impacts.
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48 Market channels for organic produce

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50 There are a number of approaches to describe and analyse the marketing behaviour of
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52 farmers. For instance, marketing cooperatives, contracts with processors, farm-to-
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54 farm sales and sales to wholesalers were the most frequently occurring market
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56 channels. Together, marketing cooperatives and contracts with processors accounted
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58 for 42.6% of all marketing channels recorded in the survey and account for 26.4% and
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24.0% respectively of all sales by value. Farmers' own box schemes accounted for only 4.6% of all sales but all direct sales to the end consumer represent 10.1% of the value of all produce traded by farmers in the survey. The Soil Association's assessment of the 2008 UK organic market (SOIL ASSOCIATION, 2009) indicates an 11% market share by direct sales through box schemes, farmers' markets, farm shops and other home delivery and mail order market routes.

An alternative approach to understanding farmers' use of different marketing channels is to consider marketing concentration, as measured using the Herfindahl-Hirschman Index (HHI)⁵. The Hirschman–Herfindahl index (HERFINDAHL, 1950; HIRSCHMAN, 1964) is a useful measure of market structure that has support in economic theory and empirical studies (MILLAR, 1982) and is a commonly accepted measure of marketing concentration (LEE and BROWN, 1989; ILBERY *et al.*, 2010). In many cases, the HHI is used to analyse the concentration of firms in a particular industry, captured by the formula:

$$HHI = \sum_{i=1}^N S_i^2 \quad \text{Equation (1)}$$

where S is the market share of the i^{th} firm. Our approach follows the lead of ILBERY *et al.* (2010) who used HHI in a slightly different manner in order to examine the concentration of marketing channels of individual firms (farms). ILBERY *et al.* (2010) refer to it as the '*Index of marketing concentration*' as it indicates the proportion of outputs sold through each marketing channel. Therefore, in Equation (1), S refers to the squared proportion of organic produce sold through marketing channels of the farm rather than a firm's market share.

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8 The HHI score illustrates the concentration of marketing channels on farms where 1
9 equates to 100% of produce being marketed via a single route. For the whole sample,
10 the HHI is relatively high at 0.75 (see Table 1). While some farms have a diverse set
11 of marketing channels, 35.9% of farms record an HHI score of 1, indicating a focus
12 on a single marketing channel. Analysis of the geography of market concentration
13 reveals some interesting patterns (although these are not significant in a statistical
14 sense). In all but in the North East region, the median HHI score is greater than the
15 mean indicating that the mean is skewed towards farms that sell their produce through
16 few channels. The Eastern region, North East and South East all stand out as having a
17 lower level of market concentration than England as a whole (in terms of median
18 HHI), while the marketing of organic produce in the East Midlands is notably more
19 concentrated than the national average.
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39 Some care must be exercised in interpreting these results. Regional averages may
40 obscure considerable intra-regional variation and, as Ilbery *et al.* (2010) point out, the
41 market strategies of organic farmers are frequently complex and individualised. That
42 said, the differences apparent from Table 1 are likely, in part, to be associated with
43 differences in the regional distribution of farms of different types. As Table 2
44 indicates, there is a clear association between farm type and the degree of market
45 concentration. It is significant that the mean HHI for dairy farming is 0.88, reflecting
46 the relatively limited opportunities that these types of farms have for marketing their
47 produce through multiple channels. It is interesting to note that the regions with the
48 lowest HHI score also have the lowest concentration of dairy farms. As could be
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3 expected, mixed and horticultural holdings, on the other hand, have lower mean and
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5 median HHI scores, indicating that produce is sold through more channels. Clearly,
6
7 other factors such as access to local and affluent markets, the ability to add value,
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9 access to processing and distributional infrastructure will also influence regional
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11 differences in HHI score. These issues are returned to below.
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17 Table 1 here

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20 Table 2 here

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24 Market orientation: National, regional and local organic marketing strategies⁶

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26 In order to begin to explore the market orientation of organic producers, respondents
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28 were asked to indicate the main geographical focus of their organic sales. A total of
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30 431 respondents (i.e. 91%) were able to indicate the main focus of their organic sales
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32 activities as either local (34.8%), regional (28.1%) or national (37.1%). This does not
33
34 mean that those with a 'local' orientation were *exclusively* focused on serving the
35
36 local market as many farmers operate a range of market routes, sometimes supplying
37
38 both local and regional markets, for instance. As ILBERY *et al.* (2010) comment,
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40 "there is considerable 'blurring' or 'hybridisation' of marketing strategies". It is,
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42 however, a good indication of where the respondent saw their main market. The
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44 questionnaire did not define the terms local, regional and national, instead leaving
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46 respondents to self define and self select. The justification for this is that as long as a
47
48 farmer thinks that they are mostly focusing on a particular market (however defined),
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50 that will exert an influence on their behaviour and choice of marketing routes.
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52 Moreover, as the analysis below indicates, there are some distinct and significant
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3 differences between the farms and marketing activities of respondents depending on
4 their market orientation.
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10 In terms of the total value of organic sales recorded by the survey, those farms
11 focusing on local markets accounted for 13.7% of all sales, while those with a
12 regional or national focus accounted for 35.4% and 50.9% respectively. Thus,
13 although a local market orientation is important in terms of the number of producers
14 involved, in terms of its contribution to aggregate sales income it is much less
15 significant. This is at least in part due to the smaller size of farm associated with a
16 local market orientation (see below).
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29 Table 3 indicates the geographical distribution of farms with different market
30 orientations. It can be seen that there are some quite notable regional differences. For
31 instance, compared to the sample as a whole, Wales, the North East and the East and
32 West Midlands have a larger share of farms with a largely national market orientation.
33 The North West and Yorkshire and Humberside are characterised by a relatively
34 larger share of business with a regional market focus, whereas the South East, South
35 West and the Eastern region in particular, have a large concentration of producers
36 strongly orientated towards the local market. Comparing Tables 1 and 3, it can be
37 seen that the Eastern region and South East are both characterised by lower than
38 average HHI values and a higher than average proportion of farmers with a local
39 market orientation, indicating that these regions are characterised by organic farms
40 pursuing the local market through a wide variety of market channels. Again, to an
41 extent this can be explained by geographical variations in the distribution of different
42 farm types. Over 31% of the organic farms in the Eastern region were horticultural
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3 businesses. None were classified as dairy farms. In the South East it is likely that a
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5 combination of farm type, smaller farm size and relatively easy access to large and
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7 often relatively affluent local markets encourages an orientation towards the local
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9 market. As the analysis below will indicate, however, the market orientation of
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11 individual organic farm businesses results from a complex interaction between farm
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13 type and size, location and the inclinations, skills and ability of individual farmers.
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Table 3 here

25 By considering the proportion of total sales made through particular market routes, it
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27 is apparent that there are some significant differences between marketing strategies
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29 depending on where a farmer sees his or her main market. For instance, producers
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31 with a 'local' orientation sell 15.6% of their produce by value through their own box
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33 scheme, compared to 4.4% for those with a regional or national market orientation
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35 (See Table 4). Sales through either their own farm shop or other independent local
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37 shops are also of greater significance for producers with a local market orientation.
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39 On the other hand, locally orientated producers sell a much lower proportion of their
40
41 produce via a contract with a processor or abattoir compared to those with a regional
42
43 or national market orientation (the figures being 9.5%, 21.2% and 21.7%
44
45 respectively). Marketing co-operatives are also a much less significant route for
46
47 locally orientated farmers than for those with a regional or national market
48
49 orientation. This analysis therefore confirms that the overall market focus of a
50
51 particular business does not imply exclusivity. Locally orientated farms also sell
52
53 some of their output through regional and national channels but the *majority* of their
54
55 sales are made through local marketing routes. The results also point to a greater
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3 diversity of market routes associated with farmers with a local orientation, whereas
4
5 for farmers with regional or national market orientations over half of all sales are via
6
7 marketing co-operatives and contracts with processors. Given that farmers were self-
8
9 selecting in identifying their overall market orientation, it is interesting to note that the
10
11 HHI score of those with a local market orientation is significantly lower than for those
12
13 with a regional or national orientation (see Table 5). This confirms that those
14
15 targeting local markets are also using a wider range of channels to sell their produce.
16
17 Farmers with a national market orientation have a significantly higher mean and
18
19 median HHI, indicating that these farmers are confined to a very few channels, or
20
21 even a single market channel to sell their produce.
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30 Table 4 here

31 Table 5 here
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36 Not only do locally oriented producers have a distinct profile in terms of marketing
37
38 routes, but these routes are often direct routes to the end consumer, whereas producers
39
40 with a regional or national focus tend to sell indirectly to the consumer through longer
41
42 and more complex supply chains: 36.7% of the value of all produce sold by locally
43
44 oriented farmers is sold via direct routes⁷ compared to just 7.2% and 5.2%
45
46 respectively for those with a regional or national orientation. The difference between
47
48 farms with a regional or a national market orientation is less pronounced than between
49
50 those with a local orientation and all other farmers. Farmers with a regional market
51
52 orientation tend to sell marginally more to processors and abattoirs, other farmers and
53
54 packhouses (22.7%, 10.2% and 4.1% respectively), compared to nationally focused
55
56 farms. Sales via marketing co-operatives and by contract with processors are also
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3 more important for this group compared to those with a local market orientation, but
4
5 less than those with a national focus. Producers with a national market orientation are
6
7 different again. Sales through various direct marketing routes are modest, with the
8
9 majority of sales being made through marketing co-operatives, contracts with
10
11 processors, and to a lesser extent, wholesalers (farms with a national orientation sell
12
13 67.4% of their output through these three routes compared to 58.9% in the case of
14
15 those with a regional focus).
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21
22 The differences between farmers with different market orientations are not confined
23
24 to the type of market routes they use. Producers with different market orientations,
25
26 particularly those with a local orientation, operate a distinct range of enterprises.
27
28 Compared to those with a regional or national market orientation, they are less likely
29
30 to operate dairy or cereal enterprises but are much more likely to produce vegetables,
31
32 salads, fruit, herbs and nuts. In other words, they produce organic food that is
33
34 arguably easier to add value to through relatively simple packaging and which is easy
35
36 to market locally. On the other hand, certain enterprises were perceived to be
37
38 associated with barriers to local and/or direct supply:
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44 *Again it is legislation and red tape, I would absolutely love it, to milk in*
45
46 *the morning, put it in the back of the pickup and deliver it locally. I would*
47
48 *love to do it, but by the time you get the pasteurization in place, it is not*
49
50 *impossible, but you would have to be dedicated. You have to do a hell of*
51
52 *a lot of marketing. (organic producer, Tanygroes focus group).*
53
54

55
56 Further confirmation of the distinct enterprise profile of organic farms with different
57
58 market orientations is provided in Table 6, which indicates that farmers with a local
59
60 market orientation are significantly more likely to operate horticulture farms (26.7%

1
2
3 compared to just 10.1% of those with a national market focus). This may be at least
4
5 partially explained by the nature of the produce of horticultural holdings and the
6
7 relative perishability of that produce. Those with an orientation towards national
8
9 markets on the other hand are significantly more likely to operate dairy farms (28.3%
10
11 compared to 6.2% of those with a local orientation). Linked to some extent to the
12
13 farm type profile of the different groups of farm, farmers pursuing a strategy of local
14
15 sales are significantly more likely to operate very small farms (under 25 ha) compared
16
17 to those with a regional or national orientation: 39.3% of locally orientated farmers
18
19 operate farms of under 25 ha compared to 7.4% and 9.4% respectively of those with a
20
21 regional or national orientation. Conversely, compared to those focusing on the local
22
23 market, those with a strong national market orientation are significantly more likely to
24
25 operate large farms of 200 ha or more. In discussing their market orientation, focus
26
27 group farmers acknowledged that scale of production was an influence on marketing
28
29 strategy:
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36 *I think it would be very difficult getting rid of the amount of animals we*
37 *have locally, and because it's just a lot simpler. Vegetables that we*
38 *produce just go to a vegetarian shop locally. It is basically the simplicity*
39 *of it; I am busy enough as it is with the work I've got (organic producer,*
40 *Tanygroes focus group).*
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51 *Facilitator: What makes you decide whether you are going to focus on*
52 *supplying a local or national market?*
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57 *Availability of help I would say, because if you haven't got help you would*
58 *have very little time to go out to farmers' markets or do any processing,*
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3 *adding value on farm. I think that will be the determining factor. Also the*
4
5 *scale of the operation. ... As I said the scale of the operation is significant*
6
7 *because there's only so much the local (market) will absorb whereas your*
8
9 *scale of growing 10 acres of potatoes on the farm then that becomes a*
10
11 *national scale because 10 acres cannot be absorbed locally. (Organic*
12
13 *producer, Haverfordwest focus group)*
14
15

16
17 As this quote suggests, it is not so much scale *per se* but the interaction between scale
18
19 and the size of the local market that can influence decisions about marketing
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21 strategies.
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26
27 Table 6 here
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31 Considering the extent to which the qualities and characteristics of organic produce
32
33 are emphasised in the sales process reveals further distinctions between farms of
34
35 different market orientation. As can be seen from Table 7, farmers with a local
36
37 orientation were significantly more likely to emphasise the 'organicness' of their
38
39 produce. They were also much more likely to emphasise the freshness of their
40
41 produce, with 47.6% citing this as something they emphasise compared to 25.0% of
42
43 those with a regional orientation and just 17.9% of those predominately serving the
44
45 national market. Of those with a local focus, 39.6% also emphasise the healthiness of
46
47 their produce (although we do not know what specific health-related attributes these
48
49 may be). Therefore, those with a local orientation tend to emphasise a cluster of
50
51 characteristics (such as localness, freshness, organicness, healthiness and traceability)
52
53 of the produce they supply whilst, in almost all instances, those with regional or
54
55 national market orientations are less likely to place emphasis on any of the
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3 characteristics recorded in the survey. It is notable that 31.7% of those supplying the
4
5 national market reported that they did not emphasise any particular quality or
6
7 characteristic of their produce in their sales compared to only 13.9% of those with a
8
9 local market orientation. This suggests that those with a local orientation are making
10
11 more of an effort to differentiate their produce, both from other local
12
13 producer/suppliers and from food available locally via national market channels.
14
15 Indeed, in some instances it seems that the effort involved in direct local marketing, in
16
17 terms of time and skills required, is encouraging a number of respondents to stick to
18
19 more established routes with processors, wholesalers and marketing co-operatives
20
21 with several respondents remarking that:
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26
27 *Do not have the time to market myself* (Organic dairy producer, England).

28
29 *Do not have time for direct marketing* (Organic horticultural producer,
30
31 Wales).
32
33

34 Similarly, a livestock farmer at a focus group reported that:

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36 *Our beef and lamb we sell nationally – they tend to go to Tesco’s. The*
37
38 *factor behind doing it this way was simplicity. So basically from my point*
39
40 *of view, anything for a simple life. It is much better to just ring up so-*
41
42 *and-so and organise a lorry and it’s gone* (Organic producer, Tanygroes
43
44 focus group).
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51 Table 7 here
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55 In the following example, although the farmer is attempting to supply organic meat to
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57 the local market, he suggests that the local area lacks a sufficiently affluent population
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59 to make his approach to marketing viable:
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To supply a local market in this part of the country where you haven't got the affluent people, you cannot do it organically. We do it organically, through our local farm shop, but I must be honest with you, if the organic dead weight price is £3 per kilo I'm much better off putting it on that lorry and waving it goodbye. It's not worth it; we're taking a loss on it. If we were closer to Cardiff or London it would be a different story (producer, Tanygroes focus group).

In contrast there were also many farmers with very positive attitudes towards direct and local sales. In some cases this was primarily associated with the control it gave to the farmer and improved returns, as well as consumer contact, as the following examples illustrate:

It gives us control over the quality of the produce the local consumer receives, keeps us linked to our customers and gives us the best return for our produce (horticultural producer, England).

By supplying local we can determine our price better. Also by supplying local, we are a well-known farming family in our area, so people know us and that has helped us establish our base. The moment we try to go regional or national we would lose all of that. We would just become a minnow (producer, Brinsbury focus group).

In explaining why they had developed specific local or direct marketing channels other respondents placed greater emphasis on ethical and environmental aspects:

Ethically and environmentally the best form of supplying organic fruit and veg (Organic horticultural producer, England).

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6 *Because I believe in taking wholesome food to [the] local community and*
7
8 *in humane rearing and slaughter of livestock (Organic cattle and sheep*
9
10 *farmer, England).*

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14
15 Farmers involved in direct and local sales frequently valued contact and dialogue with
16
17 the consumer. As one respondent put it: “It is local and you sell direct to consumers,
18
19 explaining and getting feedback”. Respondents were asked about how they normally
20
21 receive feedback from their customers. Fewer than 15% reported that they did not
22
23 receive feedback from their customers. Of those that do receive feedback, face-to-
24
25 face feedback was most common for those with a local orientation. This is not
26
27 surprising given that many were involved in sales direct to the end customer and
28
29 valued the personal interaction that they have with their customers:
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33
34 *I sell vegetables in the Fishguard farmers’ market and I get very positive*
35
36 *feedback from customers, mostly on taste and on the fact that they (the*
37
38 *vegetables) are local (producer, Haverfordwest focus group).*
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44 Other forms of personal feedback (mostly via the phone) were equally important to all
45
46 groups of producers. Those with a national market orientation were more likely than
47
48 the others to receive feedback via the internet. Presumably this is a reflection of the
49
50 greater importance of internet sales to this group. Feedback via formal customer
51
52 surveys was uncommon for all respondents, although slightly less so for those with a
53
54 local market orientation. A number of other forms of feedback were also recorded by
55
56 respondents including via abattoir returns, through marketing co-ops and via milk
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58 quality analysis.
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6 When asked what, if any changes had been made in response to customer feedback,
7
8 one producer simply responded: “Lots. We call it progression at our business”. The
9
10 survey recorded over 60 instances of farmers making changes following feedback
11
12 from customers. In some cases this was feedback from final consumers and in other
13
14 cases from intermediaries such as supermarkets. In response to feedback, organic
15
16 producers had taken steps such as offering customers different cuts of meat,
17
18 introducing new enterprises, changing packing and presentation of produce, and
19
20 changing the breed of livestock or other changes to improve livestock quality. For
21
22 instance, a number of lamb producers who had contracts with Waitrose had taken
23
24 steps to produce heavier lambs by switching breeds. As one farmer explained:
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28
29 *[we] have changed breeds of sheep to obtain more lambs in the right*
30
31 *grade. Waitrose don't like “O” grades of lambs or cattle (cattle and*
32
33 *sheep farmer, Wales).*
34
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38 Changes to packaging to improve presentation and information were quite common,
39
40 for instance: “constantly changing products and presentation” and “Labelling –
41
42 organic emphasised now, weight shown”. The organic producers in the survey did
43
44 not always agree with the preferences expressed by their customers, but still made
45
46 changes as the following example from a horticultural business illustrates:
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51 *I have been asked to pack lettuce in plastic bags, which we did as the*
52
53 *customer is always right, but I don't agree (horticultural producer,*
54
55 *England).*
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3 Some had changed the cuts of meat they offered to better suit customer requirements,
4
5 with one producer explaining that: “customer feedback on beef steers over recent
6
7 years lead us to have more steaks and less joints. Lamb shoulders are boned out and
8
9 breast of lamb is now minced or made into sausages”. Other farmers changed the
10
11 enterprise structure of their business in response to customer feedback: “Customers
12
13 want organic pork so we started a pig herd. Then they wanted organic bacon so we
14
15 started to produce our own”.
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22 As these examples show, organic farm businesses are responding to customer demand
23
24 and exploiting new market opportunities. In some cases they are responding to
25
26 feedback from buyers for major supermarkets and in other cases to the requests of
27
28 individual, end consumers. Some were clearly responding to the relationship that they
29
30 had developed with their customers. For instance, one respondent candidly explained
31
32 that even though he tries to offer all of his customers good quality, it was the local
33
34 customers who got the best produce: “although we try to produce a uniform good
35
36 quality product, local people get the best as I meet them often”.
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43 Discussion and conclusions

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45 Although current organic certification standards do not require organic systems to be
46
47 based on localised systems of food production and distribution, it is often assumed
48
49 that organic farming is closely aligned with the relocalisation of food systems
50
51 (PRETTY *et al.*, 2005). Or it is argued that organic farming should adopt short and
52
53 direct marketing approaches (LATA CZ-LOHMANN and FOSTER 1997). Evidence
54
55 suggests that this may be more likely in Southern Europe where existing market
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57 structures facilitate local and direct sales (DANTSIS *et al.*, 2009; FONTE, 2008).
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3 Within the UK however, relatively little is known about the marketing strategies of
4 organic farmers. Following the call to challenge assumptions regarding the local
5 nature of organic food chains through more critical accounts of organic supply chains
6 (CLARKE *et al.*, 2008), this paper has sought to contribute to this debate by
7 describing and analysing the marketing strategies and market orientation of organic
8 farmers in England and Wales. Drawing on a mixed methods approach, the survey
9 which forms the basis of most of the empirical content of this paper covered over a
10 fifth of the registered organic farm land in England and Wales. Building on the work
11 of ILBERY *et al.* (2010) *et al.*, this paper has for the first time calculated indices of
12 marketing concentration of organic farmers across England and Wales. The use of the
13 Herfindahl-Hirschman Index provides an objective and easily replicated measure of
14 marketing concentration. The paper has also explored the marketing strategies and
15 market orientation of organic farmers and in doing so has begun to reveal the uneven
16 geography of organic marketing.

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18
19 This paper has shown the wide diversity of organic farming situations that exist in
20 England and Wales, but it also demonstrated that production is dominated by a few
21 large producers (in much the same way as the non-organic sector) with the 'top' 10%
22 of farms in the survey accounting for over half of all sales. There are also many
23 smaller organic producers who, whilst numerically important, contribute a relatively
24 small proportion of total sales. In this sense the survey provides some evidence of the
25 bifurcation of the organic sector in England and Wales highlighted by REED (2009).
26 Subsequent analysis points to a more complex organic sector with some blurring of
27 marketing strategies as identified by ILBERY *et al.* (2010), although the majority of
28 farmers were able to indicate the main geographical focus of their sales efforts.

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6 The domestic organic sector is characterised by a wide variety of organic produce
7
8 sold via an extensive range of market channels. The approach adopted here was to
9
10 focus on the first destination of organic sales and not necessarily the final consumer.
11
12 However, it has been shown that while marketing channels where the first destination
13
14 is represented by an intermediary (such as processor, packhouse, etc) are common, so
15
16 are more novel, direct and often local routes to the final consumer such as through
17
18 farmers' markets and box schemes.
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24 Focusing on the supply side characteristics of national, regional and local markets for
25
26 organic food has revealed a variable geography of organic marketing. For instance,
27
28 farmers in the South East region have the lowest HHI score indicating the greatest
29
30 diversity of marketing routes and a large proportion are engaged in serving local
31
32 markets. This is perhaps not surprising, given that compared to other regions the
33
34 South East contains the greatest proportion of farms to have diversified into food
35
36 processing and/or retailing (DEPARTMENT OF ENVIRONMENT, FOOD AND
37
38 RURAL AFFAIRS, 2009b). However, not one of these differences was statistically
39
40 significant, indicating that place is less important than suggested by ILBERY *et al.*
41
42 (2010). Indeed, although the analysis points to regional differences in both HHI score
43
44 and farmers' self-declared market orientation, the emerging geography of organic
45
46 marketing described here results from a complex interaction between farm type and
47
48 size, locational factors such as proximity to sufficiently large (and possibly) affluent
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50 markets, and the skills and inclinations of individual farmers.
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3 The three distinct market orientations (local, regional and national) identified in the
4 analysis are associated with a different range of organic products, different routes to
5 market, different types of farm and also different types of activity on the farms.
6
7 Farmers focusing predominately on the local market account for just under 35% of the
8 sample, but a much smaller 13.7% of all sales. These results challenge the findings of
9 writers such as SEYFANG (2006) and DANTSIS *et al.* (2009) who suggest that
10 organic farmers are (and should be) more integrated into their local economies than
11 their non-organic counterparts. The small proportion of aggregate sales accounted for
12 by those with a local market orientation is in part related to the distinct farm size and
13 farm type profile of these businesses, as many operate very small farms. Indeed, some
14 may be the kind of artisanal organic producers catering to local markets identified in
15 debates over conventionalisation (see LOCKIE and HALPIN, 2005). The operators of
16 these farms manage a different and more diverse range of marketing channels, as
17 measured by the HHI score, compared to those with a regional and national market
18 focus. They tend to make more effort to promote specific qualities and attributes of
19 their produce and many clearly valued the relationships developed through
20 reconnecting with customers. In some cases they have adapted aspects of the business
21 in order to respond to customer feedback, even when they did not agree with it! It is
22 perhaps producers of this sort that many consumers have in mind when they purchase
23 organic food and which many commentators have in mind when they draw
24 associations between organic food and socially embedded, economically integrated
25 localised food systems. In this sense they are the 'ideal' or idealised local organic
26 producer. They are perhaps the type of producer DANTSIS *et al.* (2009) advocate in
27 their normative analysis of organic producers in Macedonia. However, organic
28 certification does not require the development of localised food production and
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3 distribution systems and in a food economy such as the UK's, dominated by a few
4 multiple retailers, it is perhaps not unexpected that only a minority (albeit a significant
5 minority) of organic producers are orientated towards serving local markets. Although
6 such locally embedded organic producers may benefit from considerable consumer
7 locality (LOBLEY *et al.*, 2009), their longer term future may become increasingly
8 challenging as it has been suggested that a number are struggling to add value and
9 market directly to local end consumers as a result of competition from large scale,
10 multi-regional or even national organic box schemes (ILBERY *et al.*, 2010).

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25 The majority of organic farmers surveyed for this research do not have an orientation
26 to the local market. The reasons for this vary. Some feel that the barriers to local and
27 direct supply are too great, or that they are in locations that lack sufficient population
28 to make a predominantly local marketing strategy viable. This is particularly the case
29 for the operators of larger businesses who often find that they are producing 'too
30 much' for the local market to absorb. They may sell small amounts locally, reflecting
31 a degree of hybridisation and flexibility identified by others (e.g. ILBERY *et al.*,
32 2010; LOCKIE and HALPIN, 2005) but predominately focus on national markets.
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60 Others strongly identified themselves as farmers and producers with neither the time,
skills nor the inclination to get involved in direct marketing, often preferring the ease
and relative security of selling on contract to processors or via marketing
cooperatives. Some producers felt a certain amount of pressure to comply with the
new convention of local food for local people even though that was not the way they
wanted to configure their business and a number of producers had withdrawn from
direct sales activity as it was distracting them from their main business of producing
crops and livestock. Rather than see such farms as evidence of creeping

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3 conventionalisation, perhaps as ROSIN and CAMPBELL (2009) suggest, they should
4 be acknowledged as playing a role in the supply of food produced using alternative
5 production systems and for their contribution to what is a diverse and evolving sector.
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10 Indeed, the evidence presented here contributes to the debate over the utility of
11 conventionalisation theory and strengthens the argument that by creating an artificial
12 dualism between the 'good' alternative and 'bad' conventional (ROSIN and
13 CAMPBELL, 2009), conventionalisation fails to give recognition to the diversity of
14 ways of being organic. Moreover, the term 'organic', while broadly useful in terms of
15 distinguishing particular farming systems, is of little use in terms of understanding the
16 configuration and market orientation of a farming business.
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29 This paper has demonstrated the heterogeneity of the organic farming sector in
30 England and Wales. Domestic organic agriculture is characterised by diversity of
31 scale, products and marketing channels. Most organic farmers do not focus largely or
32 even exclusively on their local markets. The majority do not sell to the final consumer
33 but are integrated into longer supply chains through sales to processors and marketing
34 cooperatives. This is not to suggest that local food is unimportant or that more
35 localised food systems do not offer social, environmental and economic benefits but
36 that it cannot be assumed that organic producers are, or should be, closely integrated
37 into the local economy. In turn, this has implications for policy as it challenges the
38 view that organic farming can be used as a vehicle for rural development through the
39 localisation of food systems. The uneven geography of organic marketing strategies
40 means that the local economic impacts of organic farming are geographically specific
41 and are likely to remain so. If it is an objective of policy to support local food it would
42 be unwise to use organic farming as a proxy. Indeed, as WINTER (2003) has argued,
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3 patterns of food purchasing typically reveal a stronger preference for local food rather
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5 than organically produced food and point to a politics of “defensive localism” rather
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7 than a strong turn to quality and organic food. Consequently, it would be better to
8
9 direct support to small-scale locally integrated producers (regardless of whether or not
10
11 they are organic), rather than assume that an expansion of organic agriculture would
12
13 necessarily be associated with the developed of small scale local food systems. At the
14
15 same time, it must be recognised local and direct marketing of agricultural produce is
16
17 only one way of supporting rural development and that by earning income from
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19 beyond their local area, farmers with regional and national market orientations are
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21 drawing additional funds into their local economies.
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Table 1: Marketing concentration (HHI score) in England and Wales

Region/Country	Mean HHI score [‡]	Median HHI score
East Midlands	0.80	0.90
Eastern	0.69	0.75
North East	0.78	0.76
North West	0.76	0.82
South East	0.70	0.71
South West	0.77	0.82
West Midlands	0.79	0.82
Yorkshire/Humberside	0.73	0.82
England	0.75	0.82
Wales	0.73	0.75
England & Wales	0.75	0.82

[‡]Using one way ANOVA test, HHI mean scores for each region are not significantly different.

Table 2: Marketing concentration (HHI score) of different farm types

Region/Country	Mean HHI score ^{***}	Median HHI score
Dairy	0.88	0.96
Cattle & Sheep	0.73	0.69
Arable	0.82	1.00
Mixed	0.66	0.66
Horticulture	0.71	0.74
Other	0.89	1.00
All farm types	0.75	0.82

^{***}Using one way ANOVA test, HHI mean scores for each farm type are significantly different when $P < 0.001$.

Table 3: Regional differences in farmers' main market orientation[‡]

Region/Country	Local %	Regional %	National %
East Midlands	18.2	30.3	51.5
Eastern	48.1	18.5	33.3
North East	33.3	8.3	58.3
North West	29.4	35.3	35.3
South East	40.4	25.5	34.0
South West	39.7	32.2	28.1
West Midlands	23.8	31.0	45.2
Yorkshire/Humberside	36.0	36.0	28.0
England	35.3	29.6	35.1
Wales	32.1	22.2	45.7

[‡]No significant association exists between regions and main market orientation.

Table 4: The association between main market orientation and the proportion of sales via different marketing routes

	Local	Regional	National
	% of sales by value		
Own box scheme (Meat)*	5.0	1.3	1.3
Own box scheme (Veg)***	10.9	1.5	0.5
Farmers' market***	9.2	2.5	1.4
Internet sales	0.4	0.0	1.6
Own farm shop***	8.8	1.8	0.3
Farm-gate*	2.5	0.1	0.0
Restaurants and private caterer	2.5	1.1	1.1
Local privately owned shop***	7.3	2.1	0.6
Co-op/company box scheme	2.3	1.9	1.6
Direct to another farmer*	13.3	10.2	6.4
Public sector caterer	0.3	0.0	0.0
Contract with supermarket	2.8	6.1	8.2
Contract with processor/abattoir**	9.6	22.7	22.1
Pack house	1.0	4.1	2.4
Livestock market	4.9	4.2	4.0
Grain Merchant	0.2	2.4	2.1
Marketing co-operative***	11.1	29.1	34.5
Wholesale	6.3	7.1	10.9
Other	1.7	1.4	0.8

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Total	100.0	100.0	100.0
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Using one way ANOVA test, mean scores for each farm marketing route are significantly different when * $P < 0.001$, ** $P < 0.01$ and * $P < 0.05$

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Table 5: The association between main market orientation and market concentration (HHI score)

Main market orientation	Mean HHI score ^{***}	Median HHI score
Local	0.69	0.66
Regional	0.76	0.82
National	0.81	0.91
All farms	0.75	0.82

^{***} Using one way ANOVA test, HHI mean scores for main market orientation are significantly different when $P < 0.001$.

Table 6: The association between main market orientation and farm type^{***}

Farm Type	Main market orientation			
	Local %	Regional %	National %	All farms %
Dairy	6.2	23.5	28.3	19.3
Cattle & Sheep	37.0	31.9	23.3	30.4
Arable	4.1	5.9	5.0	5.0
Mixed	24.0	28.6	25.8	25.9
Horticulture	26.7	6.7	10.1	14.9
Other	2.1	3.4	7.5	4.5
All farm types	100.0%	100.0%	100.0%	100.0%

***The association between main market orientation and farm type is significant when

P < 0.001.

Table 7: The association between market orientation and the characteristics of produce emphasised during sales

Emphasis	Local %	Regional %	National %
Organicness [*]	85.5	67.5	75.8
Local food ^{***}	76.6	46.3	26.3
Regional provenance	16.1	23.8	20.0
Free range	25.8	20.0	22.1
Traditional breeds	36.3	26.3	37.9
Freshness ^{***}	47.6	25.0	17.9
Traceability	46.8	52.5	52.6
Healthy food ^{**}	36.3	15.0	26.3
Other emphasis	17.7	12.5	12.6

*** P<0.001; ** P<0.01; * P<0.05 indicates a statistical association between main market orientation and character of produce emphasized when selling.

¹ At least some of this increase reflects improvements in data recording.

² The Soil Association is an independent charity founded in 1946 and is regarded as the UK's leading organic organisation. In addition to promoting organic food through educational campaigns and community programmes, its subsidiary company, Soil Association Certification Ltd, awards organic certification to farms and business meeting Soil Association organic standards. It is the largest organic certification body in the UK.

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5³ In adopting this approach sub regions of Wales have not been identified. The
6
7 presentation of figures for the whole of Wales alongside the English regions reflects
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9 the manner in which national statistics are presented. In addition, in terms of the
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11 sensitivity of the LQ methodology to smaller geographical units, Wales is similar in
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13 terms of geographic size to the English GORs. It has the second largest area after the
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15 South West of England and is only marginally larger than the Eastern and South East
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17 regions of England.
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21⁴ The median size of farms was lower at 92 ha. On average 82.9% of the area of each
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23 survey farm was registered as organic (excluding land in conversion). A few farms
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25 (7%) had all land still in conversion, while 60.3% had all land in registered organic
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27 production.
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31⁵ We are grateful to Brian Ilbery for introducing us to this approach.
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34⁶ It is important to note here that the research was concerned with the relative location
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36 (local, regional, national) of marketing activities and as such contributes to debates
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38 over local food (i.e. food produced and marketed in a defined 'local' area). In this
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40 sense, 'local' food is distinct from 'locality' food. The latter is usually considered to
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42 be food that is produced and processed in a particular place but which is distributed
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44 much more widely (ILBERY et al., 2006).
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48⁷ Direct routes are defined here as those that directly serve the end consumer with no
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50 intermediary stages, such as sales via own box scheme, at a farmers' market, farm
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52 gate sales, own farm shop sales or direct to consumers from internet sales.
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