



SECTOR BACKGROUND NOTE – ORGANIC AGRICULTURE

1. Key Facts And Figures

Organic agriculture as a trade and sustainable development opportunity

Organic agriculture offers developing countries a wide range of economic, environment, social and cultural benefits. Global markets for certified organic products have been growing rapidly over the past two decades. In 2006, global certified organic sales were estimated to have reached over 30 billion euros, a 20 per cent increase over 2005, and are expected to increase to 52 billion euros by 2012. While most sales are in North America and Europe, production is global with developing countries producing and exporting ever-increasing shares. Due to expanding markets and attractive price premiums, numerous studies in Africa, Asia and Latin America indicate that organic farmers earn higher incomes than their conventional counterparts. Moreover, organic products more easily meet the ever more stringent requirements on maximum residual levels of synthetic agro-chemicals, as organic standards prohibit their use.

On the development side, organic production is particularly well-suited for smallholder farmers, who comprise the majority of the world's poor. Resource poor farmers are less dependent on external resources, experience higher yields on their farms and enjoy enhanced food security. Moreover, organic agriculture in developing countries builds on and keeps alive their rich heritage of traditional knowledge and traditional land races. Organic farming has been observed to strengthen communities and give youth incentive to keep farming, thus reducing rural-urban migration. Farmers and their families and employees are no longer exposed to hazardous agro-chemicals, which is one of the leading causes of occupational injury and death in the world.

On the environment side, organic agriculture causes less pollution, less soil erosion, builds soil fertility and enhances biodiversity on and around the farm. It is much more resilient to climatic stress, including drought and floods. This can be therefore a key mechanism to cope with the effects that climate change will increasingly bring. In addition, it is much more energy efficient than conventional agriculture and holds carbon in the soil.

In terms of benefits for climate change, various studies have shown that organic farming uses 20-55 per cent less energy per produced unit of crop compared to conventional agriculture. Organic fields sequester 3-8 more tons of carbon per hectare. To give an extreme example to illustrate the potentially significant carbon offset effect of organic agriculture, it is estimated that converting the US's 160 million corn and soybean acres to organic production would sequester enough carbon to satisfy 73% of the Kyoto targets for CO₂ reduction in the US.

All this evidence clearly shows that organic agriculture is a promising trade and a sustainable development opportunity and a powerful tool for achieving the Millennium Development Goals, particularly those related to poverty alleviation and the environment.

Box 1. Definition: what is organic agriculture?

‘Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles and soil biological activity. It emphasises the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, agronomic, biological and mechanical methods, as opposed to synthetic materials, to fulfil any specific function within the system’. (FAO, Codex Alimentarius)

Organic production and markets in developing countries

Developing-country markets for certified organic products are small but growing. Latin America is the leading developing-country region for certified organic agriculture production, with Argentina and Brazil having the most developed domestic markets. The Asian region has experienced steady expansion in organic agriculture production and sales, especially in China, Malaysia, the Philippines, India, Singapore and Thailand. Certified organic agriculture is relatively underdeveloped in Africa, but growing including in East Africa, Egypt, South Africa and Tunisia (see section 3 below).

Market access and entry requirements

Currently, organic agricultural products face the same market-access conditions as conventional agricultural products in terms of tariffs and quotas: there is no separate international Harmonised System (HS) code for organic products or separate national lines in customs classification. However, for a product to be exported and sold as organic in another market, its compliance with the organic production standards of the importing country must be demonstrated (see section 2 below). In addition to government regulatory requirements, it is often necessary to meet private voluntary standards in order to gain entry to certain markets where consumer recognition of a particular organic mark is high. Both mandatory regulations and voluntary standards are likely to have significant impacts on market access.

2. Standards And Requirements For Organic Agriculture: Recent Trends

International standards

There are two international voluntary standards, which may be considered as "standards for standards". First, the Committee on Food Labelling of the FAO/WHO Codex Alimentarius Commission adopted ‘Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Food’ in 1999. Second, the International Federation of Organic Agricultural Movements (IFOAM) Basic Standards were developed by the organic sector and are currently being revised to increase flexibility in implementation.

Regulations

As organic agriculture has become more widespread, many developed countries have defined their own organic standards. Since the early 1990s, EC countries have endorsed a common organic standard, which is spelled out in Regulation EEC 2092/91, which is now being revised. More recently, Canada, the United States and Japan have adopted organic standards and regulations. Many developing countries are also developing organic regulations, including China, Brazil, India, Tunisia, Costa Rica, Argentina and others. Sometimes these regulations are designed specifically with the intent to facilitate organic exports and may therefore closely resemble requirements in targeted import markets. This can unfortunately mean in some cases that the production norms are not ideally suited to the local ecological and economic conditions and development of the domestic market (See box 2 below for a summary of organic regulations by region).

Certification: a necessary step for exporting

Certification is the most common procedure testifying that the exported product confirms with the necessary regulations governing the production, importing, marketing and labelling of organic products. The cost of certification can be high, although it varies in relation to farm size, volume of production and which certification body is chosen. Currently, certification for exports from developing countries is often carried out by the certification body of the importing country, although this is slowly evolving. Because accreditation of certification bodies in developing countries is difficult and therefore rare in practice, local bodies tend to develop partnerships with international certification agencies. Group certification of smallholders producing similar products is an important less-expensive option for developing countries. For domestic markets, many developing countries are developing participatory guarantee systems (PGS) as alternatives to costly third party certification.¹ Eco-vida in Brazil is a leading example.

Box 2. Overview of status of OA regulations by regions (as of October 2003)			
Region	Fully implemented	Finalised but not implemented	Drafting stage
Europe	26	2	4
Asia and the Pacific	7	1	3
Americas and the Caribbean	3	4	4
Africa	1	1	2
Middle East	-	-	2
Total: 60	37	8	15

Source: Commins 2004 and Kilcher et al 2006 in Trade and Environment Review, 2006, UNCTAD

Major trends

As is the case for environmental and health requirements in general, certification requirements and regulations for organic products are growing in number. The organic market is confronted with hundreds of private sector standards and government regulations, two international standards for organic agriculture and a host of conformity assessment and accreditation systems.

While there is considerable convergence among standards, differences may exist, for example, in specific conversion periods, packaging, storage and transport requirements, or lists of permitted substances for fertilisation, disease control or food processing. Such differences may reflect various underlying ecological and socio-economic factors and are therefore reasonable. The problem is the lack of inter-operability between systems. Examples of equivalency and mutual recognition are the exception rather than the rule. Often equivalency is mistaken to mean identity. Differing conformity assessment procedures and requirements further complicate the picture.

There are significant direct and indirect costs associated with multiple certifications. Both developing country producers and exporters have to bear these costs in order to sell in more than one market.

Some trends threaten developing country exports. First, concerns about climate change are revitalizing concerns about food miles and air-freighted products. Some private organic standard setting bodies have considered or are already banning organic air-freighted products.

¹ Apart from third party, ISO certification there are other methods of organic quality assurance for the market place including internationally recognised Participatory Guarantee Systems (PGS), which serve thousands of farmers and consumers around the world. PGS are based on recognised and publicly available standards for organic practice. PGS support and encourage producer groups to work together and to improve their farming practices through sharing of knowledge and experiences.

Second, some concerns have recently surfaced about the effectiveness of group certification in some major importing markets.

3. Work Carried Out By UNEP-UNCTAD CBTF, The UNCTAD-FAO-IFOAM ITF And UNCTAD CTF

UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF)

In 2005, the UNEP-UNCTAD CBTF launched an initiative on “*Promoting Production and Trading Opportunities for Organic Agricultural Products in East Africa*”. The initiative was designed to assist Kenya, the United Republic of Tanzania, and Uganda to capitalize on the environmental, social, economic and trade benefits of organic agriculture.

This initiative is a manifestation of a global partnership for organic agriculture. Currently, in addition to UNEP and UNCTAD, ITC, FAO, IFOAM, the Export Promotion of Organic Products from Africa (EPOPA) programme, national ministries of trade, environment and agriculture, and national bureaus of standards of participating countries, national organic networks, universities and national policy think tanks are closely involved in the project activities. The EU, SIDA and other donors are jointly funding the initiative.

The initiative consists of three key components: (1) Regional cooperation, including the development of a harmonized East African organic products standard; (2) National integrated assessment country projects focused on OA sector; and (3) Capacity building studies on critical issues related to organic agriculture.

The main achievement to date of the initiative is the launch on 29 May 2007 of the East African Organic Product Standards (EAOPS). The EAOPS is the world’s second regional organic standard after the European Union. It was developed through a unique regional public-private sector partnership facilitated by CBTF and IFOAM, and adopted as an official East African Community standard. Products grown according to the EAOPS will all carry the same mark. The common standard and mark will enhance development of organic trade within the region and facilitate export to markets overseas.

Other activities conducted under this initiative include:

- National-level country project teams led by national ministries, which aim to develop policy options using integrated assessment framework. This process has been able to induce the national policymaking in favour of organic agriculture. These projects have enhanced national capacities to integrate environmental, social and economic and trade considerations into policy development, and strengthened inter-ministerial coordination and public-private partnerships.
- Capacity-building studies focused on (i) providing an overview of the Current State of Organic Agriculture in Kenya, Uganda and the Republic of Tanzania and the Opportunities for Regional Harmonization; (ii) addressing organic agriculture and the food security dimension; and (iii) looking at best practices for organic policy in order to promote the organic sector in developing countries. The latter study was designed to be useful to all governments interested in promoting the development of the organic sector. These studies are available on the CBTF web site (www.unep-unctad.org/cbtf).

UNCTAD-FAO-IFOAM International Task Force for Harmonization and Equivalency in Organic Agriculture (ITF)

The ITF was launched in 2002 by FAO, UNCTAD and IFOAM to try reducing barriers to trade in organic products caused by a lack of harmonization and interoperability of different

standards and conformity assessment systems. The three organizations invited governments, private-sector bodies and international organizations (e.g. OECD, UN/ECE, UNEP, WTO) to analyse the current situation (the Review Phase) and seek solutions (the Proposal Phase) and commitment on solutions (Advocacy Phase). The ITF has conducted a number of studies and meetings and has created a dialogue that is influencing both private-sector actors and regulatory authorities. Currently, the ITF is developing tools such as a common set of international requirements for organic certification bodies (IROCB) and guidelines for judging equivalency of organic standards.

UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF)

In the context of the CTF, a number of studies and policy dialogues have been conducted looking at (i) developments in organic agriculture in various countries (e.g. Cuba and the Dominican Republic); and (ii) how to assist developing countries in developing national or sub-regional codes of good agricultural practice for horticulture products, which respond to requirements by European standards. CTF work also includes research and background work on the export opportunities for organic products from developing countries, and associated challenges and opportunities.

For more information on CBTF, ITF and CTF activities, please consult:

- www.unep-unctad.org/cbtf
- www.unctad.org/trade_env/projectITF.asp
- www.unctad.org/trade_env/projectCTF.asp.

4. Key Issues And Points For Discussion

The main points of discussion suggested below aim to address key issues relevant to the objectives of the symposium, namely:

- To address the challenges and constraints facing developing countries' access to markets with a particular focus on environmental standards and requirements
- To identify market opportunities created by environmental standards and requirements in key export markets of developing countries.

Concerns, challenges and constraints faced by developing countries for the production and trade of organic agricultural products

- What are the main economic and political concerns raised by developing countries?
- What are the main capacity constraints and policy limitations faced by developing countries?
- What are some of the major problems/concerns at the producer level?
- What are the market access related problems most commonly experienced by developing countries' exporters?
- What is/should be the role of developing country enterprise and governments in addressing these challenges, and what falls under the responsibility of developed country partners?
- Which challenges and capacity constraints should be addressed as a matter of priority? And what are related capacity building needs?

Opportunities for increased market access of organic products from developing countries

- How to improve access to information and knowledge on organic standards and regulations, certification and accreditation procedures, and markets and importers?

- How to ensure active participation in pre-regulation and pre-standard-setting consultation by developing country producers and exporters?
- What mechanisms and initiatives can be undertaken to improve harmonisation, mutual recognition and equivalence in the organic guarantee system?
- What are key elements to assist countries in adopting more strategic and pro-active approaches to new and emerging requirements on organic products?
- How can specific circumstances of smallholders be addressed?
- What type of technical assistance activities can best address the problems, concerns and needs of developing countries?

5. List Of Useful References

This sector background note was developed using the following materials and documents:

- Environmental Requirements and Market Access for Developing Countries: Developing Pro-active Approaches and Strategies, Chapters 3 and 4, Trade and Environment Review, UNCTAD, 2006.
- Organic Agriculture and Food Availability, paper presented at the International Conference on Organic Agriculture and Food security, FAO, 3-5 May 2007.
- The World of Organic Agriculture – Statistics and Emerging Trends 2007, Helga Willer and Minou Youssefi (editors), IFOAM, FiBL and SÖL, February 2007.
- World Markets for Organic Fruits and Vegetables: Opportunities for Developing Countries in the Production and Export of Organic Horticultural Products, Chapter 1, ITC, 2004.
- Best practices for organic policy: What developing country Governments can do to promote the organic agriculture sector? (UNCTAD/DITC/TED/2007/3), CBTF, forthcoming. Unedited draft available on CBTF website.