COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10 June 2004

European Action Plan

for

Organic Food and Farming

Commission Working Document

1. INTRODUCTION

According to the FAO/WHO Codex Alimentarius guidelines for organic food, 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 using synthetic materials, to fulfil any specific function within the system.*"

In the European Union the number of farmers practising this production system and the number of consumers buying its food products has grown at a fast pace during the last decade.

By adopting Council Regulation (EEC) No 2092/91[1], amended by Council Regulation (EC) No 1804/1999[2], the European Union was one of the first to set up a policy on organic farming. With this regulation, the Council created a Community framework defining in detail the requirements for agricultural products and foodstuffs bearing a reference to the production methods used in organic farming and foodstuffs.

With this Communication on organic farming, the Commission intends to assess the situation and to lay down the basis for policy development in the coming years, thereby providing an overall strategic vision for the contribution of organic farming to the common agricultural policy.

1.1. Background

This Action Plan is presented at the request of the Agricultural Councils of June 2001 and December 2002.

It is a follow-up to the Commission staff working paper[3] entitled 'Analysis of the possibility of a European Action Plan for organic food and farming' which, in December 2002, provided the basis for the analyses of the development of organic farming in Europe and possible elements for actions.

Its aim is to identify what is required to ensure the ongoing development of the organic sector in the Community and also, through this development, to facilitate imports of organic produce from developing countries. It sets out a series of policy measures designed to encourage such a development.

In order to ensure a solid basis for the Action Plan, different rounds of consultations and discussions have taken place in the Parliament, the Council and in a stakeholder group. In an online consultation[4] the general public was asked to react to different issues raised by

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1 Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs (OJ L 198, 22.7.1991, p. 1).

2 Council Regulation (EC) No 1804/1999 of 19 July 1999 supplementing Council Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs to include livestock production (OJ L 222, 24.8.1999, p. 1).

3 SEC(2002) 1368 of 12.12 2002: http://europa.eu.int/comm/agriculture/qual/organic/plan/consult_en.pdf

4 http://europa.eu.int/comm/agriculture/qual/organic/plan/result_en.pdf

the working paper. The main questions concerned marketing, the CAP, standards, inspection and research. In addition, in January 2004, the Commission organised a Hearing[5] where the key issues were discussed with Member States and the main stakeholder organisations.

Rather than setting a specific target for the development of the sector in terms of market share or percentages of agricultural areas at European Union level, the Commission intends to provide the conditions that will allow the sector to develop and thereby make the most of its market potential.

Several Member States and regions[6] have established national or regional action plans for the development of organic farming, particularly regarding agri-environment programmes, market development, research and capacity building. These action plans have contributed to the growth of the sector in the Member States concerned. The Commission aims for the European Action Plan to complement and interact with these national and regional action plans.

1.2. The policy framework of organic farming

In 1999 the Council recognised[7] organic farming in its strategy on environmental integration and sustainable development in the common agricultural policy. "The general principle is that where farmers provide services to the environment beyond the reference level of good agricultural practices, these should be adequately remunerated. Certain methods of agricultural production, for example organic farming, integrated production and traditional low-input farming and typical local production, provide a combination of positive environmental, social and economic effects."

In June 2001, the Commission presented the European Union Strategy for Sustainable Development[8] to the Göteborg European Council. One of the actions identified was that the common agricultural policy should reward quality rather than quantity by, for example, encouraging the organic sector and other environmentally-friendly farming methods.

In the decision of the European Parliament and the Council, laying down the Sixth Community Environment Action Programme in 2002[9], one of the actions proposed for achieving the objectives of the programme is "to encourage more environmentally responsible farming, including, where appropriate, extensive production methods, integrated farming practices, organic farming and agro-biodiversity."

Finally, the objective of the 2003 reform of the common agricultural policy[10] is to support agriculture with a number of underlying principles that can be summarised as follows:

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5 http://europa.eu.int/comm/agriculture/events/organic/index_en.htm

6 Austria, Belgium, Czech Republic, Denmark, Finland, Germany, France, Ireland, Latvia, the Netherlands, Portugal, Slovakia, Spain, Sweden and the United Kingdom.

7 Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain regulations (OJ L 160, 26.6.1999, p. 80).

8 Communication from the Commission *A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development* (Commission's proposal to the Göteborg European Council), COM(2001) 264.

9 Decision 1600/2002/EC of the European Parliament and of the Council of 22 July 2002 laying down the Sixth Community Environment Action Programme (OJ L 242, 10.9.2002, p. 1).

10 *Mid-Term Review of the Common Agricultural Policy*, COM(2002) 394 final.

- economic sustainability, through increased competitiveness, stronger market-orientation and more efficient income support;
- social sustainability, through more responsiveness to consumer demands, encouragement to improve food quality and safety and a better balance of funding towards rural development;
- environmental sustainability, through a clear framework for a more efficient application and development of environmental and animal welfare standards.

The development of the organic farming sector in the EU is also fully compatible with the Commission's recently announced initiative, the Environmental Technologies Action Plan, described in communication COM(2004) 35[11].

1.3. Impact of organic farming

Organic farming contributes significantly to a number of Community policies (see previous section), which aim at a higher level of environmental protection.

The main benefits of organic farming relate to:

- Pesticides: research indicates[i] that organic farming has, on average, a greater effect on the improvement of the landscape, wildlife conservation and faunal and floral diversity than non-organic farming systems. Restricting the use of pesticides, as is the case in organic farming, also improves water quality and fewer pesticide residues are found in food products[ii].
- Plant nutrients: organic farming usually results in lower nitrate-leaching rates than those achieved on average in integrated or non-organic agriculture, as shown by studies on autumn nitrogen residues in the soil of almost all relevant crops[iii].
- Soil protection: management practices broadly used by organic farmers, such as growing catch crops to reduce nitrate leaching, wider and more varied crop rotations, and mixed grazing to reduce mono-specific overgrazing, all help to protect the soil. Although the organic matter content of soil is highly site-specific, it is usually higher on organic compared to non-organic farms[iv].
- Biodiversity and nature protection: organic farming contributes to the preservation of species and natural habitats by means of its reduced inputs, its high share of grassland within holdings and its greater use of indigenous breeds and plant varieties[v].
- Animal welfare: organic farming may have a positive impact on animal welfare since the standards for organic farming include several requirements in this area that go further than the statutory provisions.

With regard to food safety it is, in general, not possible to claim that all organic food is more or less safe than non-organic food. For a more complete analysis of the impact, including the impact on food safety and food quality, please refer to the Commission staff working document of December 2002[12].

11 http://europa.eu.int/comm/environment/etap

12 http://europa.eu.int/comm/agriculture/qual/organic/plan/consult_en.pdf

1.4. A global concept for organic farming policy

In designing a global policy concept for organic farming the dual societal role of organic farming should be recognised.

1. Organic farming is a method for producing food products, which created a specific market for organic food products and consumers willing to buy those products, usually at a higher price. From this point of view, organic farming is financed by the consumers who reap the benefit of it, i.e. the food products of their choice. From this angle, the development of organic farming is governed by market rules.

2. Organic farming is known to deliver public goods, primarily environmental benefits, but also public health, social and rural development and animal welfare. The emphasis here is rather on the land management carried out by organic farmers. The public goods so delivered can be financed by public means. Seen from this angle, the development of organic farming is a policy choice, mainly on environmental policy grounds.

Both roles of organic farming contribute to the income for farmers, while the economic opportunities for operators further in the food chain stem mainly from market mechanisms.

In Sweden farmers are encouraged to deliver agri-environmental benefits by adapting organic farming methods, even when they do not market their products as organic.

In order to achieve the objectives of consumers, producers and the general public, organic farming policy should develop a balanced approach to these two societal roles. It should offer a fair and long-term support for public goods, and at the same time foster the development of a stable market. This approach aims to facilitate the growth of the organic sector, thereby allowing it to continue to perform both its societal functions, without making its overall development dependent on public support.

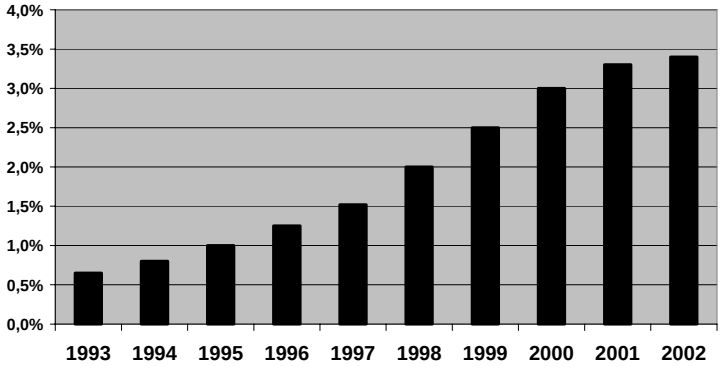
2. THE DEVELOPMENT OF ORGANIC FARMING

2.1. Production

Organic farming was developed in the first part of the 20th century, mainly in Germany, the United Kingdom and Switzerland. It was only in the 1980s, however, that interest in organic farming really took off, when production methods continued to develop, along with consumer interest in its products. There was a major increase in the number of producers, and new initiatives got under way for processing and marketing organic products. This situation, which was conducive to the development of organic farming, was very largely due to consumers' keen concern to be supplied with wholesome, environment-friendly products. At the same time, Member States gradually recognised the potential of organic farming, including it among their research topics and adopting specific legislation.

However, despite these efforts, a lack of clarity hampered further development of the market for organic produce. In adopting Council Regulation (EEC) No 2092/91 in 1991, the Council created a Community framework defining in detail the requirements for agricultural products or foodstuffs bearing a reference to organic production methods.

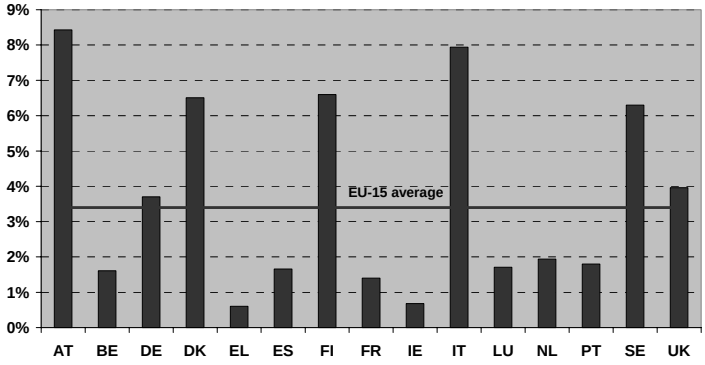
EU-15: organic area as share of UAA (1993 to 2002) (vi)



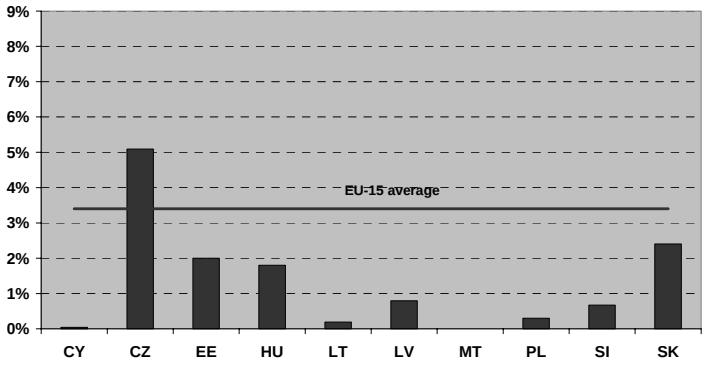
From 1992 onwards, organic farming was included in the rural development programmes. Under the agri-environmental schemes, farmers are encouraged to adopt farming techniques going beyond good agricultural practice that benefit the environment. They are compensated for costs incurred and income foregone. Other rural development measures concern training, processing and marketing of organic produce, and investments into agricultural holdings.

The 1990s witnessed very rapid growth in the sector. In 1985, certified organic production (including areas under conversion) accounted for just 100 000 ha on 6 300 holdings in the EU, or less than 0.1 % of the total utilisable agricultural area (UAA). By the end of 2002, this had increased to 4.4 million ha on an estimated 150 000 holdings, or 3.3 % of total agricultural area and 2.3 % of holdings[vi].

EU15 - organic area as share of UAA (2002)



New Member States - organic area as share of UAA (2002)



The figures show the considerable variation in the share of organic area on UAA within the Member States. In the new Member States organic farming is, with some exceptions, less developed than in the EU-15, but all new Member States have some organic farming and systems of certification. The extensive nature of agriculture in many of these countries would make transition not too difficult. From the time of accession the new Member States will fulfil the same requirements as regards the standards and inspections as the other Member States.

2.2. The market

According to the OECD[vii], the organic sector at the beginning of the 21st century is broadly estimated to be worth USD 26 billion annually worldwide – in Europe USD 11 billion and in the USA USD 13 billion – and is generally the most rapidly growing agricultural sector, at anything between 15-30 % annually, albeit from a very low base. Although Australia and Argentina have the world's largest area of certified organic farm land – mainly for grazing – Oceania and South America are fairly small as markets for organic products, reaching about USD 100 million each. Retail sales in Asia are estimated to have been in the USD 400–450 million range in 2003.

In the EU organic agriculture accounts on average for about 2 % of the value of total agricultural output. The estimated share of organic products in total food sales also amounts to about 2 %.

	Value of total organic sales ($ million)	*Share of organics in total food sales (%)*
UK	1 700	1.8
Germany	3 000	2.0
Italy	1 000	1.3
France	1 250	1.3
Netherlands	450	1.3
Belgium	225	1.3
Austria	350	2.3
Switzerland	750	3.5
Denmark	350	2.5
Sweden	375	1.5
Total Europe	11 000	2
US	13 000	2.3
Canada	1 000	1.8
Japan	350	<0.5
Oceania	100	<0.5
Latin America	100	<0.5
Total	**26 000**	**2.0**

3. THE ORGANIC FOOD MARKET

3.1. Consumers' perception of organic products

The organic farming sector has succeeded in establishing a market for its products. This has only been possible by developing a defined production method guaranteed by control and certification systems. The market niche for organic products is highly dependent on consumers' confidence in the certification system and guarantee of genuine produce. Market growth depends on consumers' perception that the quality of organic products continues to be higher than that of non-organic products. However, quality is a very subjective concept. It can relate to the product's attributes, such as the perception that a product is healthier, tastes better, or is simply more popular or fashionable. But it can also relate to the consumer's ethical values, seeking a better environment with less pollution or more locally produced products.

Market research highlights a number of motivations for purchasing organic foods. The most important motive for consumers to buy organic products is linked to health and taste, while aspects such the environment and animal welfare are often secondary motives with varying importance in different Member States[viii].

Studies have also looked at the reasons why consumers do not buy organic products. The most important declared reason is that they find the prices too high. Some consumers also mention that they do not find the products in the shops, they do not believe that there is any difference in quality, they do not have information about the nature of organic products or that they have doubts as to whether the products are truly organic. A key issue therefore is the balance between perceptions of added value and costs.

3.2. Market economy mechanisms

One of the main obstacles for further growth of the market for organic products appears to be the high consumer price. The price premium for organic products differs very much from country to country and from product to product. The typical price premium that consumers have to pay is about 50–60 %[ix]. The typical farm-gate price premium is at the same level but with an even greater variation. As the price that farmers receive is normally only a smaller part of the final price, the study showed that the processing and retail sectors receive an extra premium when selling organic products.

There is no precise information available about the relation between prices and the underlying costs. However, there are a number of obvious reasons for higher costs.

In the distribution chain, the reasons why costs are higher at the combined wholesale, processing and retail level are:

- higher purchase price of raw materials and problems with continuity of supply;
- higher costs for cleaning and separation in non-dedicated wholesale and processing units;
- lack of economies of scale: higher transport costs and small volumes of throughput leading to high distribution costs per unit;
- more unsold products and wastage;
- cost of inspection and certification.

At farm level the main reasons for higher costs include generally lower crop productivity and yields, lower animal stocking density leading to higher production costs, additional costs for labour input, as well as a lower grade of intensive specialisation at the farm level and costs for inspection and certification[x].

In order to reduce the price of the final product it is important to develop approaches which can reduce costs, without affecting the correct application of organic farming standards. In the distribution chain, an ongoing trend is direct delivery from the farmer to the consumer. Such a system can also strengthen the link between farmers and consumers, which falls within the basic ideas of organic farming.

Organic sales through supermarkets are, however, the fastest-growing distribution channel in most markets. For consumers buying organic produce in supermarkets, environmental considerations are thought to be less important[xi], compared to consumers buying produce in specialised organic shops. This lends some support to the expectation of decreasing price premiums in the years to come. Furthermore, there are also reasons to expect that growth in demand may become more difficult as further increases in sales will depend more on less committed consumers with different perceptions and attitudes and who are more sensitive to prices.

In line with general market economy principles, the organic premium can only be maintained if supply growth is in line with demand. Where this is not the case, the premium will be eroded. There has been a tendency to regard organic markets as unlimited but in reality their potential can only be harvested when growth of supply and demand are balanced. While many countries report strong growth in demand for organic meat and

dairy products, for example, a number of instances can be cited where supply has exceeded demand. This has resulted in either a severe reduction in the price difference between organic and conventional products or organic products being sold as conventional products.

In conclusion, it is essential for the future development of the sector that supply and demand grow hand in hand and that the share of organic products becomes large enough to establish a big enough, stable market.

3.3. An information-led demand

Another main conclusion from the different consultations preceding this Action Plan has been that consumers are not well informed about the principles and the benefits of organic farming.

In order to broaden the information available about organic farming, it is important that objective and reliable information is made available by the public authorities in Member States and the Commission. Information campaigns about the principles, the practices and the environmental and other benefits of organic farming should be established. They should target consumers as well as farmers, but also operators in the processing industry, retailers, large-scale kitchens as well as schools. To be efficient, the main target should not be the general public, but the occasional buyers who quite regularly buy a limited range of organic products (in contrast with the "committed" consumers who buy many more organic products).

A great deal of the food consumed in the EU is prepared in large-scale kitchens or catering services, i.e. in hospitals, schools and staff cafeterias. The operators of such kitchens could be encouraged to offer organically produced food alongside non-organic food. Experience has shown however that, to be successful, the staff concerned need to receive appropriate information and training.

The Community already has several options for supporting information and promotion campaigns for organic products (see Annex I). In third country markets the Commission can design and finance information programmes directly (direct management) while such campaigns inside the Community today have to be established by stakeholders and Member States, which can then be co-financed by the EU. In order to ensure efficient campaigns covering the whole of the EU it seems appropriate that, in addition to the stakeholder-based, co-financed campaigns, the Commission is given the possibility to initiate and finance, at 100 %, information actions on the internal EU market, particularly with regard to the EU logo.

Action 1

Introduce amendments to Council Regulation (EC) No 2826/2000 (internal market promotion) which would give the Commission greater possibilities for direct action in order to organise information and promotion campaigns on organic farming.
Launch a multiannual EU-wide information and promotion campaign over several years to inform consumers, public institutions canteens, schools and other key actors in the food chain about the merits of organic farming, especially its environmental benefits, and to increase consumer awareness and recognition of

organic products, including recognition of the EU logo.

Launch tailored information and promotion campaigns to well-defined types of consumers such as the occasional consumer and public canteens.

Increase Commission cooperation efforts with Member States and professional organisations in order to develop a strategy for the campaigns.

3.4. Market problems due to variations between standards

Even though the EU has introduced Community-wide rules, there are still some variations between the standards applied by producers in the various Member States. Before the EU regulation was implemented, the private certification organisations were the only organisations providing guarantees to purchasers of organic products. Standards often varied slightly, meeting local preferences that reflected consumer choice, cultural differences, production conditions, producer preferences and the market response.

It is often difficult for producers, consumers, traders and other interested parties to know exactly to what extent private and/or national official standards differ from the standards laid down by the EU regulation. Producers wanting to sell their products in different regions would, in particular, benefit from a more transparent system. It is therefore very important to improve transparency and to make this information more easily accessible.

A new research project[13], co-financed by the Commission, includes a task to set up an Internet database which lists the differences between different national and private standards compared to the EU regulation. This project could be a starting point for a more permanent database. In order to ensure continuous updating of such a database it should be managed by the inspection bodies themselves with support from the Commission.

Action 2

Establish and maintain an Internet database listing the various private and national standards (including international standards and national standards in main export markets) compared to the Community standard.

Together with improved transparency of the declared differences between standards, such variations should be minimised since they tend to hinder trade. The EU regulation currently allows for more stringent rules imposed by private or national inspection bodies. The inspection bodies do not therefore always recognise each other's standards and, as a consequence, refuse to market the products in question under their own private logos. It is therefore important to harmonise standards wherever possible and to make it easier to accept local variations in the standards. Some of the actions proposed in section 5 are expected to improve the situation.

3.5. Organic logos as marketing tools

In principle, all products that are produced according to the minimal requirements set out in the EU regulation can be marketed in all Member States as 'organic' without any further logo.

[13] FP6: 502327. Research to support revision of the EU regulation on organic agriculture.

Private labels and logos have been developing for many years. In many Member States it is not possible to sell products as organic if they do not bear the logo of the national/local inspection and certification body, because retailers would then not market the products or consumers would just not recognise them as organic.

As explained in the previous section, variations in standards and the lack of mutual recognition hampers the development of the market and the different logos are used as a symbol of the differences. An operator from one Member State will often find it both complicated and expensive to get access to the local logo especially when he wants to market his products in several Member States. These factors hinder trade with organic products on the internal market.

The EU logo for organic products was introduced in 2000 in order to increase the credibility of organic products with EU consumers as well as to ensure better identification of these products on the market. However, the logo is still not commonly used on organic products.

Several studies[xii] have shown that a uniform logo increases consumer recognition of organic products. In Germany a national logo for organic products was introduced in 2001. The success of the German logo is one example of how a common logo combined with powerful information and promotion campaigns has contributed to improving the market.

This demonstrates that a common logo for organic products is a very important factor in increasing the sales of organic products and the Commission believes that a wider use of the EU logo would facilitate internal trade and thereby enlarge the overall market for organic products in the EU.

Wider application of the EU logo should not exclude the continued use of private logos alongside the EU logo as, for many consumers, they are still the only symbol for organic products that they recognise. Furthermore, it gives those consumers who are already aware of organic produce the choice of products that comply with the requirements of inspection systems for which they have a preference.

Although mandatory use of the EU logo has been seen as an efficient way to increase consumer awareness of the logo, the Commission is of the opinion that coordinated information and promotion campaigns should be, at this stage, the first option. Depending on future developments, this issue can be reconsidered later.

During the consultation process concerns were raised that the EU logo is too similar to other EU logos and that it might therefore confuse consumers who would not always read the text on the logo. The Commission does not believe that there is a significant risk of confusion and, since the process of redesigning the logo would take from two to three years, the Commission believes that it is better to retain the existing design in order not to delay development.

The actions set up under Action 1 (information and promotion campaigns) and Action 19 (more extensive use of logo on imported products) will facilitate more extensive use of the EU logo.

3.6. Monitoring and analysis of supply and demand

The Commission currently collects administrative data at national level from the Member States on numbers of organic operators, organic crop area and organic livestock through Council Regulation (EEC) No 2092/91. A variable on organic farming that was recently included in the Community survey on the structure of agricultural holdings allows an assessment of the regional distribution of the organic crop area. However, the current data set on organic farming is neither complete nor available for all current EU countries, since the statistical information on organic crop area is limited for many Member States and hardly any information is available on the other items.

Moreover, there is a lack of readily available statistical information about organic markets despite this being a crucial issue for the supply chain. Apart from the importance for policymakers of access to information about the total market share of organic products, the industry needs additional information in order to plan its marketing strategies. At present, no official statistics are available on the sales of organic products. Some statistical information about organic production volumes can be collected from inspection bodies but much important information about trade in organic products etc. does not exist. Trade data are usually only available from national statistical offices, but in most Member States no differentiation is made between organic and non-organic products.

It is therefore important to intensify the collection of the relevant information and economic data with the existing tools, but also to prepare harmonised methods for collecting additional official statistics on organic farming, organic food and its markets.

Action 3

Improve the collection of statistical data on both production and market of organic products.

Within the framework of the Community Statistical Programme, the Statisticial Office of the European Communities (Eurostat), in cooperation with Member States, has already started improving the availability and quality of data on organic farming. Some statistics on "conventional" farming should be extended in order to compile the same type of information for organic products, i.e. statistical classifications and registers could be adapted to collect relevant statistics.

4. PUBLIC POLICY AND ORGANIC FARMING

4.1. Organic farming in the framework of the common agricultural policy

Organic farming is an important tool in the strategy of environmental integration and sustainable development which are key principles of the common agricultural policy (CAP).

Organic farmers are currently eligible to receive support from the first pillar of the CAP through direct payments and price support measures.

More importantly, organic farming is fully integrated in the rural development policy, the second pillar of the CAP, and plays an important role in delivering environmental benefits.

The 2003 CAP reform emphasised the long-term economic and social viability of the agricultural sector, providing safe, high quality products by methods offering a high degree of consideration for the environment. The CAP reform can therefore be expected to provide a positive[xiii] framework for the future development of organic farming in Europe, as follows:

- The introduction of the single farm payment: being decoupled from production, the single farm payment will allow organic farmers to grow the crops that they consider to be more suitable for their organic rotation and to rear their livestock more extensively, without having to forsake the direct payments previously associated with particular crops and livestock.
- The familiarity and expertise acquired by organic farmers in the meeting of precise standards will allow them to adapt more quickly and efficiently to the new demands of cross-compliance, in particular in relation to environmental and animal welfare standards.
- Increased funding for rural development programmes.
- The importance of animal welfare and food quality standards in organic production methods also puts organic farmers in a good position to meet the new standards (see Annex I).

Member States have different options regarding implementation, and the effects on organic farming will depend on how Member States implement the reform. For example the degree of decoupling and the use of national envelopes will have an impact on organic farming and Member States who wish to support organic farming should therefore consider the effect on organic farming when implementing the new rules.

In the same way, the Commission, when it prepares extended impact assessments for modifications to market organisation regulations, takes into account the interest of different groups of stakeholders, including the effect of the proposal on organic farming.

Within the first pillar, the fruit and vegetables Common Market Organisation provides for specific support to producer organisations, including those covering organic farmers.

The Commission ensures that all farm support complies with WTO rules on notification and classification. In general, support linked to production ('coupled support') is notified in the 'amber' or 'blue' boxes and is subject to reduction commitments. Decoupled support and payments under environmental programmes that meet WTO conditions are clarified under the 'green' box and are exempt from reduction commitments.

Action 4

Allowing Member States to top-up with aids, the EU support devoted to producer organisations in the fruit and vegetable sector involved in organic production.

4.2. Rural development

The rural development policy as laid down in Council Regulation (EC) No 1257/1999[14] allows for payments through the second pillar via various measures, such as investments in agricultural holdings (e.g. for improvements regarding the environmental and animal welfare aspects on farms), farmers' participation in quality schemes and promotion for these products, training, processing and marketing measures, compensatory payments in less favoured areas, and agri-environmental measures. In this respect organic farming is regarded as a farming practice that delivers the majority of the agri-environmental benefits aimed at by this regulation.

However, it appears that some of these measures are not always very well known in the organic sector.

Action 5

The Commission will develop a web-based menu listing all EU measures that can be used by the organic sector in relation to production, marketing and information.

All Member States, including the new Member States, have set up programmes that can be used by organic farmers.

Although the market prospect is probably the most important factor for a farmer when deciding to take up organic farming, empirical evidence[xiv] suggests that a strong commitment to organic farming in the regional and national rural development programmes contributes to a higher uptake of organic farming.

In the run-up to this Action Plan, a number of key elements on rural development in relation to organic farming were discussed in depth.

4.2.1. Subsidiarity

The principle of subsidiarity applies in rural development programming and it is up to the Member States or regions to establish priorities and to select appropriate measures. The only exception to this optional character is agri-environment, which has to be offered throughout the entire territory of the Member States in accordance with their specific needs.

4.2.2. Specific measures for organic farming

During the consultation round it has been proposed by several stakeholders that a specific separate chapter for organic farming in the rural development regulation should be inserted. However, the package of rural development regulation measures can already cover almost all aspects of organic production under different criteria and it is then up to the Member States to set priorities and to introduce a coherent set of measures, for instance, to ensure that organic farmers have the same possibilities for receiving investment support as non-organic farmers.

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[14] Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain regulations (OJ L 160, 26.6.1999, p. 80).

The benefit of a specific chapter for organic farming seems therefore very limited.

4.2.3. Coherent programmes

The emphasis within rural development programmes has traditionally been on agri-environment measures and investments in the holdings.

However, demand-side support policies are considered as a necessary complement to the supply-side support. Stimulation of demand for organic products can be further developed using the new possibilities within the food quality chapter of the rural development regulation, as well as the already existing possibilities for marketing and processing of organic products. There are also further options available to establish links with typical products and/or rural tourism as additional methods for boosting organic products.

Beyond promotion activities, the 'food quality' chapter introduces incentives aiming to encourage farmers to participate in quality schemes. Temporary aid will be available to help them join and participate in the schemes agreed at EU level (including organic farming, denominations of origin and geographical indications, traditional specificities and quality wines produced in specific regions) and in those agreed at national level. Promotion activities of producer groups for these products can be supported as well.

4.2.4. Focusing agri-environmental schemes on specific issues

Member States have and can use the great flexibility contained in agri-environment measures to target various environmental benefits.

It is possible to use the agri-environment programme to support a specific development. One example would be to add an incentive for the conversion of the whole farm to organic agriculture to optimise the environmental and animal welfare impact.

Another possibility is to target organic farming as the preferred management option in certain areas, e.g. drinking water areas or other environmentally sensitive areas as a result of the positive impact of organic farming on the environment (see Section 1.3).

Some Member States only apply agri-environment schemes during the conversion period, but it is often relevant to consider including also the period after the conversion in order to preserve the benefits for the environment and nature protection on the long term.

4.2.5. Extension services

Extension (or advisory) services have played an important role in the transfer of scientific results into agricultural practice and should ideally be the link between practice and research. Organic farmers may play a crucial role in this respect, by pooling their resources or participating in advisory or extension services, opening their own farms and sharing their experiences with non-organic farmers who might be interested in converting to organic farming.

The issue of improved advisory services is crucial to the development of organic farming. It is already possible for Member States to support the setting-up of advisory structures and advisory activities geared towards farmers, for which the EU currently offers co-financing (Chapter 3 of the rural development regulation). This is an area where Member

States, and in particular the new Member States, need to consider giving priority within their current systems to training and education for environmentally friendly systems such as organic farming. Training and advisory services for farmers aimed at the development of local supply chains and areas with special promotion of organic production could also be considered in this regard.

A further aspect is the consideration of an 'organic knowledge system', developing research and technical support in the field of organic farming. In vocational training, standard curricula could include information on organic farming/products and specific training courses could be offered. Rural development already offers appropriate support measures.

Action 6

The Commission strongly recommends Member States to make full use within their rural development programmes of the instruments available to support organic farming, for example by developing national or regional action plans focussing on:

stimulating the demand side by using the new quality schemes;

actions in order to preserve the benefits for the environment and nature protection in the long term;

developing incentives to organic farmers to convert the whole instead of part of farms;

organic farmers having the same possibilities for receiving investment support as non-organic farmers;

developing incentives to producers to facilitate the distribution and marketing by integrating the production chain by (contractual) arrangements between the actors;

support to extension services;

training and education for all operators in organic farming, covering production, processing and marketing;

targeting organic farming as the preferred management option in environmentally sensitive areas (without restricting organic farming to these areas).

The Commission is currently evaluating the rural development programme documents. One of the elements for this evaluation is the impact on organic farming. The experience gained from existing programmes will feed into a new framework for rural development from 2006, onwards.

4.3. Research

In order to facilitate the expansion of the organic farming sector, and also to increase its production capacity, new information and, above all, new technologies are required. Providing farmers with easy access to information about organic farming methods is therefore an important part of any policy aimed at developing the organic sector. The organic food and farming sector is very dynamic, showing rapid growth and constant development which need to be supported by an effective exchange of information on the availability of new technologies. Therefore, training and research are relevant at all levels, from the adoption of research programmes in universities or other research bodies, to on-

farm training to ensure suitable technology transfer to farmers. The transfer of research results into agricultural practice with close cooperation between research, advisory services and farmers is already being carried out in some Member States. There is however a need for improved cooperation in this area in other Member States and between Member States themselves.

Organic food products have traditionally been sold with a minimum of processing. Nowadays it is apparent that consumers who buy organic products would also like to see those products in processed form and, in principle, it should be possible to provide all or at least almost all food products as organic. This can however raise problems for processors as only a few additives are allowed in organic products. Processors will therefore have to develop new processing methods in order to preserve the recognised texture, colour, preservation qualities, etc. of particular products. In contrast with organic farmers, processing companies often deal with non-organic and organic products in both the processing and distribution areas. The effect of this is that processors are faced with considerable expense in order to separate the two food chains. This is therefore one area where more research is needed by the processing industry in order to develop separate processing chains for organic food products.

In the Sixth Framework Programme (FP6[15]) there is no specific 'agriculture' priority but research topics of interest to organic food and farming can be found (mainly) under Priority 5 'Food quality and safety' under Thematic Priority 6 'Sustainable development, global change and ecosystems', topic 5 'strategies for sustainable land management, including coastal zones, agricultural land and forest' and under the Scientific Support to Policy programme, where different types of research actions can be submitted following open and dedicated calls for proposals.

Research institutions from developing countries can participate in EU research programmes. However, their participation should be further encouraged by taking into consideration the inclusion of issues of relevance for developing countries in the different work programmes.

A list of organic farming projects founded under FP5 and FP6 can be found on the internet at:
http://europa.eu.int/comm/research/agriculture/research_themes/organic_farming.html

Research work in support of policy development and funded under the Framework Programmes is also carried out by the Joint Research Centre (JRC). The JRC has defined three core areas for research, two of which are highly relevant to organic agriculture: "Food, Chemicals and Health" and "Environment and Sustainability". Research topics within these areas may be carried out in one or more of the JRC Institutes. JRC does also study the possibility of better authenticity proof (validation of holistic methods etc.). At present, several projects of relevance to organic agriculture are already underway.

[15] The Sixth Framework Programme (2002–2006). The EU Framework Programme for Research and Technological Development is a major tool to support the creation of the European Research Area.

Action 7

Strengthen research on organic agriculture and production methods.

5. STANDARDS AND INSPECTION – SAFEGUARDING INTEGRITY

By its very nature of a well-described production system resulting in products with a higher price, organic farming cannot exist without its fundaments of agreed production standards and reliable controls throughout the production chain. Consumer confidence in organic food products is built on these two elements.

5.1. The current legal framework

In adopting Council Regulation (EEC) No 2092/91 in 1991, the Council created a Community framework defining in detail the requirements for agricultural products or foodstuffs bearing a reference to organic production methods. The regulation is set up primarily as a labelling regulation, meant to regulate the internal market for organic products but it also describes the organic production standards and the inspection and supervision requirements.

As it deals with virtually all agricultural products and with all aspects of primary food production and food processing, the remit of the regulation is very broad. At its creation in 1991, the regulation took into account, to a large extent, the existing private production rules. At that time, only a few Member States had developed national legislation.

While the original regulation was relatively short and covered only plant production, in 1999 it was extended substantially to cover animal production in a relatively detailed way. This detailed approach was attributable to the great diversity of animal production systems throughout the EU and to the lack of consensus in the existing private rules.

Being a Council regulation, this legislation is directly applicable in all Member States. However, in some instances, some freedom is left to Member States. This is the case with the use of additives and processing aids in organic animal products, for which harmonised rules are still under development. It is also the case with a number of technical requirements, mainly in the animal production area.

One complicating element is that in most Member States the regulation has not completely replaced the private standards and the related private seals and logos. Some of these schemes use the regulation as their basis while others have some additional requirements, putting stricter or more detailed obligations on the operators.

5.2. The regulatory concept

Although the regulation does formulate the limits of what may and may not be labelled as 'organic', the basic principles of organic agriculture itself are not clearly defined.

An appropriate definition of objectives and basic principles of organic agriculture would strengthen the regulation as not only defining the labelling of organic products, but also

the fundamental principles of the production method. Defining the basic principles is expected to contribute to transparency and consumer confidence and would make its public services explicit. At the same time, by defining the purpose of the measures and not the means by which to achieve these purposes, flexibility is introduced to allow for regional solutions based on the best local practices to achieve these purposes. This would be instrumental in reducing the level of detail in some parts of the regulation. This in turn would contribute to further harmonisation of the standards.

Moreover, a clear definition of the basic principles of organic agriculture would also help in determining equivalency with production standards in third countries which, by nature, need to respect their very different climatic and local farming conditions.

Finally, it would make it easier to understand the system and thereby contribute to increased consumer confidence.

Action 8

Making the regulation more transparent by defining the basic principles of organic agriculture.

In many aspects the development of the regulation has followed an evolutionary approach, facilitating a step-by-step development of organic farming. As organic farmers in 1991 were a very small minority, it was impossible to find all the elements necessary for organic quality, i.e. seeds, ingredients in processed products, feed, young animals. For this reason, the legislation permitted the use of certain non-organic elements but, at the same time, tried to limit them and foresaw a further reduction of these allowances over time when the growth of the organic sector allowed it. This has often proven to be a very difficult exercise. The high variation in the development of organic farming in Member States has made it very difficult to agree on a suitable rate for the reduction of these allowances in all Member States.

In application of the evolutionary approach, the regulation on organic animal production, at its adoption in 1999, included several transitional rules such as the possibility of using up to 20 % non-organic feed, to bring non-organic animals on the farm in order to convert them. These transitional rules have facilitated the development of the organic farming sector in all parts of the EU. In some cases the transitional period ended in 2003 while others will continue to run until 2005 or 2010.

The Commission believes that, in order to maintain the integrity of organic farming, these transitional periods should, in principle, not be prolonged.

Action 9

Ensuring the integrity of organic agriculture by reinforcing the standards and maintaining the foreseen end dates of the transitional periods.

5.3. The scope of organic production standards

The regulation, as it now stands, covers all agricultural and food products except wine, fish and other aquaculture products.

At the moment, wine (vinification process) is excluded from the scope of the regulation. Wine made with organic grapes has so far not been marketed as organic wine, but only as wine made with organic grapes. This implies that consumers buying such wines could be misled as to the additives that have been used in the vinification process. There is a demand from producers and consumers for better identification and harmonisation of the vinification standards for such wine with regard to respect of organic principles.

For live animal production, there is a need to simplify and harmonise husbandry rules and to evaluate the impact of organic farming on animal welfare, with a view to further improving animal welfare standards within this specific context. The work undertaken to establish the list of permitted additives and processing aids for processed animal products needs to be completed. A request has also recently been made that farmed fish and other aquaculture products be included in Community organic production rules.

Looking further into the future there is a need to develop the standards for animal welfare in organic farming. There might also be a need to widen the basic principles further to encompass new elements such as landscape and nature protection, biodiversity and energy-use criteria, labour standards and fair trade principles and the inclusion of non-food agricultural products such as textiles, flowers and other ornamentals. When reflecting on such new elements the impact on trade, including the possibilities for developing countries to export their organic products to the Community market, should be considered.

Action 10

Complete and further harmonise the standards for organic agriculture by:
establishing the list of permitted additives and processing aids for processed animal products;
considering whether to establish specific standards for organic wines;
improving the standards relating to animal welfare;
considering the need for extending the scope to other areas such as aquaculture;
considering the need for improving standards relating to the environment (use of energy, biodiversity, landscape and others).

5.4. Better instruments for standard setting

At present, the EU regulation can be amended by the Council or the Commission under the procedure foreseen under Article 14 of the regulation (Standing Committee composed of experts from Member States' authorities).

The evaluation of new substances and the development of rules for new production areas are complex and time-consuming exercises, for some of which a high degree of specialisation is required. The criteria against which these substances have to be assessed should be revised and completed.

The establishment of an expert panel for delivering independent, excellent and transparent advice to study and advise all Commission Directorates and the Standing Committee on these issues is considered to be a way to rationalise this work.

This panel should be composed of scientists and other experts. The panel should submit its advice taking into account existing Community policy objectives as well as organic farming principles and consumer expectations. The role and competence of this panel are without prejudice to the competence of the European Food Safety Authority[16].

Action 11

Establishing an independent expert panel for technical advice.

5.5. Genetically modified organisms (GMOs)

Genetically modified organisms and/or any product derived from such organisms must not be used in organic farming (with the exception of veterinary medicinal products)[17].

The presence of GM crops in non-GM farming systems cannot be completely excluded during cultivation, harvest, transport, storage and processing. The main sources of GMO admixture are seed impurities, cross-pollination, volunteers and harvesting-storage practices.

On 23 July 2003, the Commission adopted a Recommendation[18] on guidelines concerning the co-existence of GMOs with conventional and organic farming. The Recommendation provides a list of general principles and elements for the development of national strategies and best practices as well as an indicative catalogue of measures that can be used to reduce or avoid the accidental mixture of GM and non-GM crops.

According to the Recommendation, any national approach should, in addition to the general principle of proportionality, be based on the following principles:

- it should be developed in a transparent way, based on scientific evidence and in cooperation with all stakeholders concerned;
- it should ensure an equitable balance between the interests of farmers of all production types;
- it should refer to the legal labelling thresholds and purity standards for GM food, feed and seed;
- it should be crop-specific, as the risk of admixture varies greatly from one crop to another;
- priority should be given to farm-level management measures and to measures aimed at coordination between neighbouring farms;
- if it can be demonstrated that farm-level measures cannot ensure co-existence, regional measures could be considered on a crop-by-crop basis;
- during the phase of introducing a new production type (e.g. GMOs) into a region,

16 The outcome of the concerted research action on Organic Inputs Evaluation (QLK5-CT-2002-02565) may establish a basis to set up this panel.

17 Article 6 of Council Regulation (EEC) No 2092/91 on organic farming.

18 Commission Recommendation of 23 July 2003 on guidelines for the development of national strategies and best practices to ensure the coexistence of genetically modified crops with conventional and organic farming (OJ L 189, 27.7.2003, p. 36).

farmers who introduce the new production type should bear the responsibility for implementing the measures necessary for limiting admixture.

The recommendation also advises Member States to examine their civil liability laws to find out whether the existing national laws offer sufficient possibilities in this regard.

The Commission believes that it is appropriate to introduce rules reflecting recent changes to Community law on GM food and feed, and traceability and labelling (Regulations (EC) Nos 1829/2003[19] and 1830/2003[20]). Such rules should be clear and simple to avoid confusing consumers.

Under current legislation the possibility is not excluded that organic products may contain GMOs above the labelling threshold that result of admixture as described above even though GMOs have not been directly used in the organic production process. In order to exclude this possibility it is therefore proposed to introduce an explicit provision in Regulation (EEC) No 2092/91 that products that are labelled as containing GMOs cannot be sold as organic.

At the same time it is necessary to amend Regulation (EEC) No 2092/91 in order to clarify the legal situation regarding the use of input products (feed, additives, etc.) which could contain GMOs or have been produced with GMOs. In this respect, seeds used in organic farming should be dealt with separately from other organic input materials, considering the ongoing process of elaborating general labelling thresholds for the adventitious presence of GM seeds in non-GM seed lots.

Setting specific (stricter) thresholds for input products other than seed used in organic farming could create a considerable additional burden on organic producers in order to ensure that such thresholds are respected. Therefore it needs to be clarified in Regulation (EEC) No 2092/91, that if the level of GM traces in such products exceeds the labelling thresholds provided in Regulations (EC) Nos 1829/2003 and 1830/2003 they should not be used in organic farming. This means that the tolerance thresholds for the adventitious presence of GMOs in products (other than seed) used in organic farming should equal the general labelling thresholds.

With regard to seed, it is mentioned in point 2.2.3 of the recommendation mentioned above that "*The organic farming regulation establishes that no GMOs shall be used in production. Thus, materials, including seeds, which are labeled as containing GMOs cannot be used. However, seed lots containing GM seeds below the seed thresholds (which would not need to be labelled for this GMO presence) could be used. The organic farming regulation does allow for the setting of a specific threshold for the unavoidable presence of GMOs, but no threshold has been set. In the absence of such a specific threshold, the general thresholds apply.*"

As the general thresholds for seed have still not been established the question of deciding whether specific thresholds for seed used in organic farming need to be set and at what level is still under consideration by the Commission.

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19 Regulation (EC) No 1829/2003 of the European Parliament and of the Council of 22 September 2003 on genetically modified food and feed (OJ L 268, 18.10.2003, p. 1).

20 Regulation (EC) No 1830/2003 of the European Parliament and of the Council of 22 September 2003 concerning the traceability and labelling of genetically modified organisms and the traceability of food and feed products produced from genetically modified organisms and amending Directive 2001/18/EC (OJ L 268, 18.10.2003, p. 24).

Action 12

Include provisions in Council Regulation (EEC) No 2092/91 clarifying: that products that are labelled as containing GMOs cannot be labelled as organic; that the general labelling thresholds equal the thresholds for the adventitious presence of GMOs for products (other than seed) used in organic farming. The question of deciding whether specific thresholds for seed used in organic farming need to be set and at what level is still under consideration by the Commission.

5.6. Inspection systems

The EU regulation on organic farming obliges Member States to set up and manage an effective inspection system for organic farming. The regulation sets out a number of principles and minimum requirements for this inspection system. Member States can designate inspection authorities and/or approve private inspection bodies to carry out the inspections.

The inspection system consists of four different areas of activities:

1. Inspection (and certification[21]) of operators (farmers, processors and others). Private inspection bodies and designated inspection authorities carry out inspections of operators. Detailed minimum requirements for these inspections are laid down in Annex III of the regulation.

2. Accreditation of inspection bodies. Private inspection bodies must fulfil the requirements of EN 45011[22], but formal accreditation against this standard is not required. Member States are responsible for ensuring that this requirement is fulfilled.

3. Supervision of inspection bodies. In the case of private inspection bodies, Member States must approve the bodies and supervise their inspection activities.

4. Evaluation of Member States' inspection systems. The Commission carried out an initial evaluation of the inspection systems operating in a number of Member States between 1999 and 2001.

The current inspection system works very efficiently in most cases. From the experience gained, a number of amendments have already been made to the inspection requirements, most notably, the recent introduction of the principle of a risk-based approach to inspection in the body of the regulation on organic farming itself. However, there is further scope for making the inspection system more effective in each of the four areas of activity.

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21 Certification implies that the inspection body, based on its inspection activities, declares that the products produced by the operator can bear the organic label. In the language of the EU regulation, the certification activity is part of the inspection.

22 General requirements for bodies operating product certification systems.

Apart from the specific requirements set out in the EU regulation on organic farming, organic food production is subject to the general food inspection requirements in the Regulation on official food and feed control adopted by the Council and the Parliament in April 2004[23]. This regulation lays down the rules to be respected by the competent authorities responsible for official controls and defines the tasks of the Commission in the organisation of these controls. It covers the entire range of activities covered by feed and food law including animal health and animal welfare, quality and labelling of food.

5.6.1. Inspection of operators

The organic farming regulation does not distinguish between large- and small-scale producers, requiring an identical inspection effort regardless of size. The inspection bodies are free to increase the level of inspection of large-scale operators but they cannot go below a certain level, even with very small-scale operators. As the level of inspection is set to correspond with an average-sized producer, this may result in unnecessary inspections of small producers, or worse, spending of resources on low-risk rather than on higher-risk producers. It would therefore seem more reasonable to match the recent introduction of the risk-based approach in the legal base, by rationalising the implementing rules on the inspection requirements following this risk-based approach.

Previous cases of fraud have also shown that cross-inspection of producers and traders dealing with the same product flow is a very useful instrument. Such instruments should be better integrated into the inspection requirements.

Action 13

Improve the performance of the inspection bodies and authorities by introducing a risk-based approach targeting operators presenting the highest risk in terms of fraudulent practices, and by requiring cross-inspections under Council Regulation (EEC) No 2092/91.

Sampling and analyses are valid tools for inspection bodies, in particular when negligence or fraud is suspected, or to assess the adequacy of established safeguards. It is therefore important that validated analytical and sampling methods are developed and prescribed. Initiatives in this area are already being carried out by the Joint Research Centre (JRC).

Action 14

Continue the ongoing work in the JRC to develop sampling and analytical methods which can be used in organic farming.

In order to minimise the risk of fraud new techniques ensuring a better traceability should be used when available. The Commission already supports research in such systems. One example of a system which could improve traceability is the land parcel identification system established for the CAP management for the location and monitoring of the land.

[23] Regulation No 882/2004 of the European Parliament and of the Council on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (OJ L 165, 30.4.2004, p. 1).

Action 15

Member States should study the possibility of using land parcel identification established for the CAP management for the location and monitoring of the land under organic farming.

In some fraud cases in the past, the fact that products were traded between companies subject to different inspection bodies made it more difficult to uncover the fraud immediately. Enforcement was found to be hampered by insufficient coordination between inspection bodies and enforcement authorities.

This illustrates the need to improve cooperation and communication between the inspection bodies and to strengthen coordination between the inspection bodies and the authorities when it comes to enforcement and fraud prevention.

Action 16

Ensure better coordination among inspection bodies and between the inspection bodies and the enforcement authorities under Council Regulation (EEC) No 2092/91.

5.6.2. Accreditation of inspection bodies

The obligation for inspection bodies to satisfy the requirements laid down in the EN45011 standard has been implemented in different ways. Many Member States have chosen to check these themselves, as part of their supervision activities. Other Member states require a formal accreditation by the national accreditation body. There also exists a private, worldwide accreditation programme, specifically targeted towards inspection bodies for organic farming (IFOAM accreditation[24]) and some inspection bodies are accredited according to this.

Rendering the system more coherent and cost-effective implies, amongst others, the laying down of rules on specific accreditation requirements for organic farming inspection bodies (and authorities). In order to contribute to further harmonisation of organic principles and schemes at international level, such a specific system does not preclude recognising (or at least building on) existing international accreditation systems.

Action 17

Develop a specific accreditation system for inspection bodies under Council Regulation (EEC) No 2092/91.

5.6.3. Supervision of inspection bodies by Member States

Member States have to supervise the activities of the inspection bodies and ensure that the inspections are objective and effective. There are no detailed procedural requirements on how Member States should carry out this supervision and it is considered that the quality of the supervisions varies. Each year Member Sates are required to submit a report on this

[24] Managed by IOAS, International Organic Accreditation Services.

supervision to the Commission. In order to improve its quality, the supervision of the inspection bodies should be made more transparent.

Action 18

The Commission will publish the annual report from the Member States on the supervision of approved inspection bodies including statistics on type and number of breaches.

5.6.4. Commission evaluation of Member States' inspection systems

Since the implementation of Council Regulation (EEC) No 2092/91, the Commission's Food and Veterinary Office has carried out an initial evaluation of the inspection systems operating in seven Member States. The evaluation covers both the supervision of private inspection bodies as well as the implementation of control measures by assessing some of the private inspection bodies or inspection authorities. The evaluation reports have been made public on the Commission's website[25]. These evaluations reported diversity in the quality of current inspection systems and have resulted in recommendations for improving the inspection and supervision systems both in the Member States concerned as well as at Community level.

5.7. Imports

Imports of organic products have increased considerably, a significant proportion of then comming from developing countries. Most imported products are tropical products, sourced by the food industry, mostly to serve as ingredients in the ever-growing range of processed organic products. This greater choice is currently enhancing the development of the market in the EU and is therefore believed to benefit EU producers as well. Effective import rules are equally crucial in protecting the concept and credibility of organic farming and thus in protecting the interests of farmers and consumers in the EU, while offering fair marketing prospects for exporters from other countries.

The conclusions of the 2002 Johannesburg World Summit on Sustainable Development supported market-based initiatives for the creation and expansion of domestic and international markets for environmentally friendly goods, including organic products. Furthermore, the Commission's 'Everything But Arms' initiative fully liberalises imports from least developed countries.

Article 11 of Council Regulation (EEC) No 2092/91 provides for an equivalency regime for organic products imported from third countries. It must be adequately demonstrated that imported products are produced in accordance with production standards and are subject to inspection arrangements equivalent to those applied to organic production in the European Union.

Two different systems of assessment and determination of equivalency are currently in operation. Firstly, imported organic products can only be marketed as organic in the EU when they originate from a third country appearing in a list drawn up by the Commission (Article 11(1)). Secondly, derogating from the first system, Member States can, until 31 December 2005, on a case-by-case basis and based on a request made by an importer,

[25] http://europa.eu.int/comm/food/fs/inspections/fnaoi/reports/organic_farming/index_en.html

authorise to market as organic a consignment of imported products in the EU (Article 11(6)).

Until 2003, the European Commission has, as the result of document and on-the-spot evaluation, included eight[26] third countries on the list according to Article 11(1). Nine[27] more applications are being assessed. The majority of the imports, originating in 92 other third countries, pass through the second system. The number of import authorisations granted annually under this system rose from 599 in 1998 to 1 248 in 2002.

From the experience gained, the first system has as its main advantage that it involves the responsibility of the authorities in third countries and, in this way, creates a maximum of guarantees for continuous on-the-spot controls. It is also simpler and more predictable for operators in third countries. On the negative side, the system is not accessible for operators in third countries without a public supervision system and requires substantial staff resources at EU level.

The second system is open for products from all other third countries, although the initiative lies with the importers only. As Member States have developed diverse procedures, the system is not fully harmonised and some of the work is duplicated. It relies mainly on declarations from the inspection bodies involved and on third party accreditation of these inspection bodies. The system requires substantial staff resources at Member State level and puts considerable administrative burden on importers.

Joint efforts by Member States and the Commission to harmonise the second system led in 2001 to the creation of a unique obligatory import certificate, to a guidance document on a single application form for the request of an authorisation, and to a guidance document on group certification for small operators in developing countries.

The future equivalency regime should be built on the experience of the existing assessment systems, should address their disadvantages, facilitate imports from developing countries, take into account the different climate and farming conditions and the stage of development of organic farming in developing countries, avoid duplication of work and integrate better the work of the private sector notably by assigning recognised bodies to carry out technical evaluations.

As for labelling on the EU internal market, all imported products deemed to be equivalent should have access to the EU logo.

Action 19

Step up efforts to include third countries in the equivalency list, including on-the-spot assessments. Amend Council Regulation (EEC) No 2092/91 on organic farming, replacing the current national derogation for imports by a new permanent system making use of technical equivalency evaluations by bodies assigned by the Community for that purpose. This could include, following appropriate consultations, developing a single and permanent Community list of inspection bodies recognised as equivalent

[26] Argentina, Australia, Costa Rica, Czech Republic, Hungary, Israel, New Zealand, Switzerland.

[27] Chile, Colombia, Dominican Republic, Guatemala, India, Japan, Tunisia, Turkey, United States of America.

for their activities in third countries not already on the equivalency list.

Continue to ensure that the definition of equivalence with third countries takes into account the different climate and farming conditions and the stage of development of organic farming in each country.

Upon entry into force of this system, offer all imported products access to the EU logo.

In the context of the increasing globalisation of organic farming, there is a need to evaluate the current equivalency regime. While the EU has been in the lead for a long time, more and more countries have taken an interest in organic farming and have developed legislation. On the international scene, the Codex Alimentarius (FAO/WHO) has developed a worldwide guideline. In the private sector IFOAM, the International Federation of Organic Agricultural Movements, has for many years been developing standards for producers and inspection bodies.

To increase transparency and to assist in global harmonisation, a detailed comparison should be made between the EU regulation and these two international standards in order to define the main differences. A strategy to narrow down these differences should then be developed.

The Commission will also support efforts towards harmonisation of organic farming rules and principles and a multilateral concept of equivalency at international level. As in the past, the main instrument for this should be the Codex Alimentarius, for which the EU continues its efforts. It also intends to explore whether the role of the Codex guidelines on organic farming can be strengthened in order to make it function as a global common standard that could serve as a basis for equivalence regimes.

Further measures to facilitate trade in organic products from developing countries will be considered.

Under the development policy of the EU, different instruments in support more generally of agriculture, trade or institutional capacity building can be refocused by their users in developing countries to support organic agriculture, in terms of production as well as compliance with trade requirements for exports to the EU. These instruments include national and regional allocations under the European Development Fund, ALA[28] or MEDA[29] regulations, different thematic budget lines, or instruments in support of the private sector such as the Investment Facility or Pro€Invest for ACP countries.

Action 20

Establish a systematic comparison between the Community standard on organic farming, Codex Alimentarius guidelines and the IFOAM standards (see also Action 2).

Step up efforts towards global harmonisation and development of a multilateral concept of equivalency based on the Codex Alimentarius guidelines in cooperation

[28] The main financial instrument of European development cooperation with Asia and Latin America (Council Regulation No 443/92 of 25.2.1992).

[29] Council Regulation (EC) No 1488/96 of 23.7.1996 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership.

with Member States, third countries and the private sector.

Support capacity-building in developing countries under the development policy of the EU by facilitating information on the possibilities offered by more general support instruments to be used in favour of organic agriculture.

Further measures to facilitate trade in organic products from developing countries will be considered30.

5.8. Exports

Consumer interest in organic products has increased substantially in many countries outside the EU, in particular in developed countries such as the USA and Japan. EU exporters should be able to build on traditional strengths, especially in value-added food products, to share in this expanding global market. In order to ensure access to those markets, it is important that EU production standards and controls are recognised worldwide.

Action 21

Reinforce recognition of EU organic farming standards and inspection systems in third countries by obtaining a negotiation mandate from the Council.

At the same time, it is important that the existing possibilities for marketing campaigns for European organic products are used (see also Action 3).

30 According to Article 12 in the WTO Agreement on Technical Barriers to Trade, Members shall provide differential and more favourable treatment to developing country Members to this Agreement.

ANNEX : LIST OF COMMUNITY MEASURES THAT CAN SUPPORT ORGANIC FARMING

Production, labelling and inspection rules

Council Regulation (EEC) No 2092/91 on standards and control measures for organic farming.

The regulation ensures the authenticity of organic farming methods, and has evolved into a comprehensive framework for the organic production of crops and livestock and for the labelling, processing and marketing of organic products. It also governs imports of organic products into the EU.

Rural development Council Regulation (EC) No 1257/1999 as amended by Council Regulation (EC) No 1783/2003

- Chapter I: support for investments in agricultural holdings can cover the investments necessary for the redeployment of production and diversification towards organic farming.
- Chapter III: support for training for qualitative reorientation of the production, which can facilitate farmers' conversion to organic farming. Training issues may also contribute to this (e.g. protection of the environment, animal welfare).
- Chapter VI: support for agricultural production methods designed to protect the environment, maintain the countryside (agri-environment) or improve animal welfare[31]. Farmers delivering environmental services to the public are compensated for costs incurred and income forgone for their activities going beyond good farming practice and may include an incentive covering transaction costs.
- Chapter VIa: support for the participation of farmers in food quality schemes, and for promotion of the products covered by these schemes.
- Chapter VII: support for investments to improve the processing and marketing of agricultural products, which can be targeted on organic produce. The utilisation of this measure is of importance if the entire *filière* is considered in the support of organic products.
- Chapter IX: promotion of the adaptation and development of rural areas: the support for marketing of quality agricultural products or for the diversification of farming activities (e.g. the establishment of a village shop for organic products) can be used as a tool to further enhance organic farming.

[31] The reference to animal welfare has been added by Council Regulation (EC) No 1783/2003 of 29 September 2003 amending Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

Information and promotion

Different regulations currently offer the possibility of EU co-financing of information or promotions campaigns for organic farming.

Council Regulations (EC) Nos 2702/1999 and 2826/2000 provide a framework for a comprehensive information and promotion policy at EU level for agricultural products, respectively in third countries and on the internal market. This policy complements and reinforces the information and promotion actions managed by national/regional authorities and private groups or companies. Promotion and information measures supported under these regulations must be generic, that is concentrate on the generic and intrinsic qualities of a product or a group of products, or on a certain agricultural production regime, such as organic production. The actions are proposed by professional or inter-professional organisations representing the sector concerned, and they are co-financed by the Community (50 %), the Member State(s) concerned (20 %) and the proposing organisation (30 %).

Article 24d of Council Regulation (EC) No 1257/1999 on support for rural development (see above) provides for support for information and promotion activities for agricultural products and foodstuffs designated under certain Community or national food quality schemes, including the organic farming regime established in Council Regulation (EEC) No 2092/91. Commission Regulation (EC) No 817/2004 includes the necessary implementation measures, which ensure that these new promotion measures will be complementary to the generic promotion regimes established in Council Regulations (EC) Nos 2702/1999 and 2826/2000 and that overlapping with measures supported by the two promotion regimes be excluded.

Council Regulation (EC) No 814/2000 lays down the basis for information and communication measures relating to the common agricultural policy[32]. These measures take two formats:

– indirect support for measures presented by farmers' or rural development organisations, consumers' associations and environmental protection associations, public authorities of the Member States, the media or universities;

– direct expenditure for activities implemented at the Commission's initiative.

The Commission's information activities in support of organic farming are primarily to inform farmers, stakeholder organisations and the general public of the Commission's policies in this area and to develop an understanding of what organic farming entails.

32 OJ L 100, 20.4.2000, p. 7.

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[x] Idem ix.

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