FAO’s Interest in Organic Agriculture

There are three key reasons why FAO is particularly interested in organic agriculture:

- First, organic agriculture is one mode of production that aims at utilising natural resources in a sustainable way. Hence, it is consistent with FAO’s objectives of working towards conservation and sustainable utilisation of natural resources.

- Second, organic agriculture is based on technologies that prevail in parts of the developing world and which therefore can potentially provide employment and income for poor farmers who manage to access these market opportunities. Hence, it is consistent with FAO’s objectives of assisting farmers in developing countries improve their incomes, thereby contributing to food security.

- Third, organic farming is pursued with the declared objectives of contributing to food quality and safety. This is of concern to FAO in view of its mandated goal to “ensure all people at all times with nutritionally adequate and safe food”. FAO has an important role in establishing international food quality and safety standards thereby protecting consumer health and facilitating international trade.

Demand for Organic Foods Exceeds Supply in the Major Markets

As most operators in the organic food sector know, market demand for organic products has expanded rapidly over the past decade. According to the International Trade Centre, world-wide sales of organic products exceeded US$10 billion in 1997, with the European Union, the United States and Japan as the main markets. Other industrialised countries have also experienced market growth, for example in Eastern Europe and in Australia and New Zealand. Similarly, in some developing countries, for example, China, Egypt and Brazil, domestic markets for organic foods are beginning to emerge.

In major markets, sales of organic foods are estimated to account on average for between one and two percent of total food sales. Although this may seem low, the growth rate over the last ten years has been impressive. In the United States, alone, a survey released by the Organic Trade Association estimates that sales of organic foods have grown at over twenty percent annually since the mid-1980s. In France, it is estimated that the retail turnover of organic products has increased by fifty percent over the past three years.

Although the currently high growth rate is unlikely to be maintained in the long run, (as generally happens for any product segment when it becomes "mature"), medium-term prospects are that demand will likely continue to grow at a high pace. Furthermore, in most major organic markets, demand for organic products far outstrips domestic supply, and therefore imports are required to fill the gap. In the United Kingdom, for example, where strong market growth is driving imports of organic foods, it is estimated that in 1998 seventy percent of organic foods were imported.

Opportunities exist in both developed and developing countries for meeting this gap between demand and supply.
Market Opportunities for Organic Products

Under conditions of excess demand for organic products, there should be good markets for production from both developed and developing countries. For example, the Dominican Republic and Mexico have become the world’s leading exporters of fresh organic bananas, accounting for some 75 percent of world supply. Argentina has become a significant exporter of organic products gaining access to the List of Third Countries that can market their products in the European Union without additional inspection as defined by Article 11 of Regulation EEC/2092/91. In Uganda, many farmers grow organic cotton for the export market, using far fewer imported inputs or chemicals than conventional cotton production, thus increasing their revenues, which in turn can be spent on increased food consumption, education and other basic needs.

Many developing countries have a potential comparative advantage in meeting demand for many organic foods in major markets. First, due to climatic constraints, some products cannot be grown profitably in the cooler, mostly industrialised, countries as exemplified by tropical fruits and off-season fruits and vegetables. Second, in a number of developing countries, traditional production systems may be more attuned to the production of organic foods than the more intensive input production systems usually found in developed countries. As there are traditional systems that do not use agro-chemicals and do maintain soil fertility in sustainable ways, conversion to organic agriculture may be easier, and require less investment than for farmers in countries with highly intensive agriculture. Finally, the fact that organic farming tends to be labour intensive may give a comparative advantage to developing countries where labour costs are relatively lower than in developed countries.

Nevertheless, as producers and traders are very much aware, there are significant constraints to the profitable production, processing and marketing of organic products. Achieving and maintaining the critical quality requirements of the major markets is a significant constraint. This indeed proves highly problematic for many developing countries in tropical regions where adverse climate can render storage and transport of perishable organic foods difficult and costly. Inadequate cool storage in food chains have long limited the exports of many fruits and vegetables from these countries. These difficulties may become even more felt in the long run, as the price premium for organic products is not likely to remain at the currently high level when supply rises and catches up with demand. Prices could be expected to decline under such conditions.

Key Issues in Producing and Marketing Organic Products

Referring to the meaning of organic agriculture, the term "organic" is a process claim, not a product claim. In other words, products of organic agriculture are defined by the technology and inputs used, and not explicitly by the inherent properties of the product itself. Producers and organic food companies of the various trademarks focus very much on inputs and technologies permitted and those prohibited in the production process. Nevertheless, despite the process claim, consumers often perceive organic products as representing an environmentally friendly mode of production as well as having certain intrinsic quality and safety characteristics.

The central question therefore is whether foods produced by organic farming methods are inherently any different from the same foods produced by conventional methods, with regard to either the impact on the natural resource base or the quality of the product itself. This matter needs to be addressed in more depth.

Organic farming methods and the environment

Some consumers associate environmental and ethical values with organic farming. As regards the impact of organic farming on the environment and the natural resource base, it is often claimed that the process leads to a greater protection of the environment and a more sustainable usage of natural resources, such as the maintenance of soil structure and fertility, water resources, biodiversity, etc. I do not propose to discuss these very complex issues here but just to underline that FAO, in supporting organic agriculture, does also deal in many ways with conventional farming systems and methods.

FAO advocates in particular the use of integrated plant-nutrition systems and integrated pest management which make maximal use of the natural regulation of pest populations within and between farmers’ fields and the surrounding ecosystem, use pesticides only as a last resort and in minimal amounts, and combine mineral with organic fertilisers as far as possible. Where used appropriately, and in accordance with the local conditions of the natural resource base, these systems have proved to enhance productivity while also
Food quality and safety

Healthy and nutritional value are also reasons given by some consumers for purchasing organic foods although there is no scientific evidence that such foods possess additional benefits which conventional food do not possess. Taste is another consideration but difficult to quantify objectively. More importantly, the organic process itself is not a sufficient condition for guaranteeing the absence of contamination from pesticides, mycotoxins, heavy metals, etc.. There are also potential problems with misleading or fraudulent claims with regard to purported organic foods which must be carefully monitored and controlled by all concerned.

FAO does not have a particular position with regard to the special quality and safety characteristics of organic products, per se. What we do seek though, through the work of CODEX, is to ensure that the quality and safety standards established for all food products, including organic products, are based on sound scientific evidence and that these standards are adopted and adhered to. We appeal to those involved in production, processing and marketing to continue all efforts in providing empirical evidence to assure consumers of the high quality and safety of organically produced food products. In particular the absence of potentially harmful pesticide residues should not be difficult to demonstrate if farming methods precluding the use of chemical pesticides are strictly adhered to. The CODEX standards that apply to the quality and safety of organic products and the methods of risk assessment are the same as those applying to conventional foods including maximum residue limits for pesticides and other contaminants established at the international and national level. Particular research efforts are still needed with regard to microbiological contamination, which can also affect organically produced foods. Furthermore, the problems of contamination by mycotoxin are especially critical in tropical climates, and can be a cause of rejection at the import stage and can cause serious health problems.

Authenticity of the Organic Claim

The CODEX Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods define "organic" as a labelling term that denotes products that have been produced in accordance with organic production standards and certified by a duly constituted certification body or authority. Of particular importance for the promotion of a fair and transparent trading system for organically produced food are the authenticity of the organic claim and the certification of compliance with established standards. The authenticity of the organic claim is an important issue which concerns producers, traders and consumers of organic foods.

The existence of different national standards world-wide creates great difficulty in achieving fair trade in organic products between countries. Producers are often unable to take advantage of market opportunities, despite the existence of standards in the exporting country, if their produce is not recognised as "organic" by the importing country in accordance with its own standards. Some importing countries may refuse the importation of products, that they do not consider as organic, on the grounds of preventing deceptive practices. In this case, different standards could become technical barriers to trade. Moreover, those countries that are without organic standards, and wish to develop or adopt such standards with a view to exporting, may become confused as to which importing country’s standards to adopt. These difficulties in adopting and meeting organic standards constitutes a high cost and, in some cases, a barrier for exporting countries in gaining access to major markets despite the existence of excess demand.

International mechanisms are required to avoid and resolve divergent and misleading claims that would prejudice international trade in organic products and the interests of producers, traders and consumers alike. International agencies, such as FAO and WHO, provide an important forum in which member countries can agree on guidelines leading to internationally harmonised standards.

In view of the increasing consumer demand and expanding international trade in organic products, the Codex Committee on Food Labelling recognised the need for a clear definition of the "organic" claim and developed the Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods. The Guidelines recognise that organic agriculture is based on minimising the use of external inputs, avoiding the use of synthetic fertilisers and pesticides and specify the Principles of Organic Production, Permitted Substances for the Production of Organic Foods and the Minimum Requirements and Precautionary Measures under the Inspection or Certification System. These were adopted by the FAO/WHO Codex Alimentarius Commission at its last session in June 1999. In elaborating these Guidelines, the Committee took into account the regulations existing in several countries and the rules applied by producers'
organisations to develop recommendations which could serve as a common basis for the rules of organic production at the international level. In this regard, we are pleased to note the important involvement and contribution of IFOAM in the discussion process.

These *Guidelines* now provide a basis for governments wishing to develop their own national regulations. However, it should be borne in mind that the *Guidelines* are of a general nature and national requirements may need to be more detailed to take into account of the conditions prevailing in each country. The *Guidelines* will be of major interest to developing countries, as many of them have no regulations for organic agriculture. Upon request, FAO can assist these countries develop their own regulations, drawing on the Guidelines, which are in line with those of IFOAM.

International standards, established through the Codex mechanism, facilitate also the mutual recognition of organic food control systems among countries thereby leading to smoother trade flows. Texts adopted by the Codex Alimentarius Commission serve as a reference in the framework of WTO and, in particular the TBT Agreement where labelling matters are concerned. They have the status of intergovernmental agreements with specific legal implications. A country that refuses the importation of organic foods produced in accordance with the Codex Guidelines may be challenged at the WTO.

**Building Consumer Confidence - Monitoring and Verification of Standards**

Establishing standards is only the first step in building consumer confidence. Shoppers demand guarantees that the organic products they buy are actually produced in compliance with both process and product standards. Consequently, reliable systems of monitoring and verification for certifying the organic nature of the products are necessary.

Presently many developing countries lack a certification system or, when it exists, the importing countries sometimes do not recognise their system. As a result, producers and exporters frequently have to pay for inspection services by foreign certification bodies, which entails high costs. It is therefore not surprising that representatives of poor farmers often mention the cost of certification as the greatest deterrent to the adoption of organic agriculture. Clearly, there is a need for establishing reliable, effective and low-cost national certification systems, based on appropriate regulations.

**FAO Actions on Organic Agriculture**

Some of FAO’s recent actions on organic agriculture include:

- The Codex Committee on Food Labelling issued, in June 1999, *Guidelines for the Production, Processing, Marketing and Labelling of Organically Produced Foods*.
- The FAO Regional Office for Europe has been supporting meetings of researchers working on organic agriculture, including a working group on Research Methodologies in Organic Farming under the European System of Co-operative Research Networks in Agriculture (ESCORNA).
- Software is being developed by FAO’s Land and Water Development Division to facilitate collecting data on the use of organic nutrients.

Most recently, in January 1999, the FAO Intergovernmental Committee on Agriculture supported a proposal that the Organization adopt a more holistic approach towards organic agriculture within the context of sustainable agricultural production systems and to assist its members, and developing countries in particular, with production requirements, certification systems and access to international markets.

With a view to implementing the relatively new mandate given to the Organization by its governing bodies, an inter-departmental working group has been established recently at FAO to develop the organic agriculture programme. Future activities will focus on five main functions:

- provision of information on organic production and trade through studies, statistics, networks;
- facilitation of research and extension to respond to the multi-disciplinary needs of organic agriculture;
- institutional support and policy advice for members countries to fully understand the magnitude of the organic sector;
- technical assistance for developing skills, organic standards and certification capacities; and,
- pilot projects that explore and promote feasible organic agricultural techniques.

A first "output" is the development of an Internet site on organic agriculture that gathers information resources related to the sector (ref.: [http://www.fao.org/sd/epdirect](http://www.fao.org/sd/epdirect)). A database for worldwide
bibliographical references on organic agriculture is being developed, with direct access to full text of related FAO documents.

Through this programme, the Organization seeks to build partnerships with existing institutions concerned with all aspects of organic agriculture including, e.g., national organic associations/programmes, IFOAM and other NGOs, and national and international agricultural research centres.

**Conclusion - Communication**

Many of the aspects which I have touched upon so far today have a direct bearing on the theme of this Conference - *Quality and Communication for the Organic Market*. Information and the communication of that information to producers, traders and consumers of organic food is essential in order to create markets in which products of high quality are traded and all parties can benefit.

Better "communication" is needed between organic farmers and consumers. Relevant regulations governing the certification and labelling of organic foods in major markets will help farmers communicate information to their customers. Conversely, farmers, especially those in developing countries, need better access to market information and more transparent process and production standards to meet importing countries’ requirements. Operators in exporting countries require close contact with their counterparts in major markets to obtain information on the market requirements in terms of products, product characteristics, quality, packaging, volumes, frequency of deliveries, etc.

Considerable technical assistance to developing countries is already being provided by bilateral aid agencies, NGOs and INGOs. FAO has the capability to assist organisations of producers and exporters especially in areas requiring co-ordination and harmonisation of standards as well as international exchange of information. This includes:

- global and regional market surveys on organic commodities (for example bananas, citrus, and other horticultural products);
- exchange of market information, in co-operation with the International Trade Centre in Geneva;
- work towards appropriate inclusion of organic food products in the System of International Trade Classifications (SITC) in order to establish a database on organic production and trade statistics; and
- continuation of work towards harmonisation of national criteria for organically produced foods and assistance in the implementation of the Codex Guidelines.

Generally, better communication between countries is called for in order to achieve greater recognition of equivalence of certification systems, as explained previously. FAO provides an international forum in which different national standards and certification systems can be discussed.

In conclusion, the organic industry offers many opportunities even though significant constraints to its development remain. Establishing the authenticity of the organic claim is the main challenge for now. Importing countries must avoid using organic certification standards as technical barriers to trade. The establishment of international guidelines for production and certification standards is an essential first step. However, development of national standards and legislation, and establishing equivalence between different country standards are major challenges for the future. The avoidance of new trade barriers to organic food, through mutual recognition of standards, is the preferred road to success. This all requires careful planning and substantial investment in intellectual and human capital. FAO is ready to act as a forum amongst its member countries where these issues can be brought into the open and commonly acceptable solutions be found.

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