

Development of organic farming Europe – implications for Agenda 2000

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Introduction

Organic farming is increasingly recognised, by consumers, farmers, environmentalists and policy-makers, as one of a number of possible models for environmental, social and financial sustainability in agriculture. It has taken a long time to get this far. Organic farming's roots can be traced back more than 100 years. Certified organic production dates back 25-30 years (70 years in the case of Demeter-certified bio-dynamic production).

Yet little more than one percent of agriculture in Europe is organic, and much less than that in other parts of the world. Many have argued that organic farming will never capture the hearts and minds of the majority of farmers, because it is too idealistic and restrictive. What is needed, they argue, is an intermediate approach, such as integrated crop management or an ill-specified 'low-input' or 'sustainable' agriculture that is not as 'extreme' as organic farming and is therefore more likely to be acceptable to the majority of farmers.

Policy-makers face a difficult choice. Should they encourage more organic farming, which, as research increasingly demonstrates, often offers more environmental and other benefits than the intermediate approaches, but is believed to be only a minority interest? Or should they encourage the intermediate approaches, which, although the environmental benefits are more limited, may be adopted by more farmers, with possibly greater overall impact?

If *Farmers Weekly* Opinion columns can be considered a barometer for change, then consider the following:

'Anyone contemplating organic farming would do well to do one thing first – send a cheque for £15 (...) for a copy of Michael Murphy's comprehensive study of the subject. It would be £15 well spent as it will probably persuade you that unless you are keen to live at little more than subsistence level, organic farming is not for you. (...) The average net income for these [wholly organic] farms was a paltry £500. (...) Two years ago the talk from the organic movement was for 10,000 producers by the year 2000. But by the way things are going, 100 could be nearer the mark.' (*Farmers Weekly*, 17/7/92)

'Organic farming with realism could become godsend for industry (...) Today, the sector has a sharper, market-drive professionalism. (...) Clear price signals, firm orders and a better understanding of the husbandry techniques mean organic meat, milk, veg and grain can often provide handsome profits. (...) Given the right encouragement, the current tenure of consumer interest in organic food should prevail longer than the last one.' (*Farmers Weekly*, 12/2/99).

What has brought about this change? Is it possible that organic farming is now poised to break out of its traditional niche and become mainstream? What are the implications for Agenda 2000 and CAP reform?

The growth of organic farming in Europe

Recent years have seen very rapid growth in organic farming. In 1985, certified and policy-supported organic production accounted for just 100,000 ha in western Europe (EU and EFTA), or less than 0.1% of the total agricultural area. By the end of 1997, this figure had increased to 2.3 million ha, more than 1.6% of the total agricultural area. It is likely that by the end of 1998, nearly 3.0 million ha was managed organically, representing a 30-fold increase in 13 years. These figures hide great variability within and between countries. Several countries have now achieved 5-10% of their agricultural area managed organically, and in some cases more than 30% on a regional basis. Countries like Austria, Italy, Sweden and Switzerland, and this year the UK, have seen the fastest rates of growth. But many others still languish below the 1% level.

Alongside the increase in the supply base, the market for organic produce has also grown, but statistics on the overall size of the market for organic produce in Europe are still very limited. Recent estimates have suggested that the retail sales value of the European market for organic food was of the order of £3-5 billion in 1997.

70% of the expansion in the land area has taken place in the last five years, since the implementation in 1993 of EC Regulation 2092/91 defining organic crop production, and the widespread application of policies to support conversion to and continued organic farming as part of the agri-environment programme (EC Reg. 2078/92). The former has provided a secure basis for the agri-food sector to respond to the rapidly increasing demand for organic food across Europe. The latter has provided the financial basis to overcome perceived and real barriers to conversion.

The agri-environment measures came into effect in 1993, although the majority of organic aid schemes under EC Reg. 2078/92 were not fully implemented by EU member states until 1996. By October 1997, more than 65,000 holdings and nearly 1.3 million ha were covered by organic farming support measures at an annual cost of more than 260 million ECU. Organic farming's share of the total agri-environment programme amounted to 3.9% of agreements, 5.0 % of land area and nearly 11% of expenditure, the differing shares reflecting in part the widespread uptake of baseline programmes in France, Austria, Germany and Finland.

Potential for widespread conversion

Although growth trends in individual countries have varied considerably, with periods of rapid expansion followed by periods of consolidation and occasionally decline, overall growth in Europe has been consistently around 25% per year for the last ten years, i.e. exponential growth. There is no indication yet of this rate of growth declining. Similar growth rates are reported for organic farming in the United States. If these growth rates are projected forward to 2010, this gives some indication of the potential significance of organic farming within a relatively short period. Assuming a starting point of 1.6% of western European agriculture in 1997, continued

25% growth each year would imply a 10% share by 2005 and nearly 30% by 2010. Faster growth at 35% annually would lead to 18% by 2005 and 80% by 2010, but this seems highly unlikely on the basis of past performance. A slower rate of growth of 15% each year would still result in just under 5% by 2005 and 10% by 2010. In the UK, current growth rates are much faster (100% in 1998), but an average 25% a year growth from the 1% base at the end of 1998 would lead to 5% by 2005 and 15% by 2010.

At the western European level, 10%, whether achieved by 2005 or 2010, may still sound like a small proportion of the total, but it is very significant in absolute terms. It represents nearly 14 million ha and more than 800,000 farms, compared with the current total of 100,000 holdings. This is close to the UK agricultural land area (16 million ha) and three times the total number of UK holdings.

This level of growth has tremendous implications for the provision of training, advice and other information to farmers, as well as for the development of inspection and certification procedures. It also has major implications for the development of the market for organic food, as it progresses from niche to mainstream status, with a likely retail sales value in 2005 of £20-30 billion.

Pre-conditions for widespread conversion

Projections into the future based on past performance are not sufficient to realise the potential of organic farming. There is no guarantee that the rates of growth seen in the past will continue, and the normal expectation would be for rates of growth to decline eventually. A better understanding of the factors lying behind the growth of organic farming, and in particular the differences between countries, is needed. This will be a key focus of work to be carried out this year by colleagues at Aberystwyth and in Denmark as part of our EU-funded research on organic farming and agricultural policy.

In many respects, the development of organic farming has parallels to the traditional adoption-diffusion model for the adoption of innovations. Over time, the individualistic and socially-isolated innovators or pioneers are followed by the early adopters typified as community opinion leaders, to be followed in turn by the majority of farmers. In many countries, including the UK, this shift can be clearly seen. However, the rate at which this change takes place depends on the complexity of the innovation, and the adoption of organic farming is clearly a complex innovation.

The adoption-diffusion model does not seem to explain why the development of organic farming may be characterised by periods of stagnation followed by very rapid growth, as we have seen in the UK. A possible explanation for this is that farmers need to perceive the *need* to change before significant change will take place. A period of financial prosperity, as UK farmers experienced between 1992 and 1995 due to the CAP Reform package combined with the low value of the pound, was clearly not the basis for change. The reversal of circumstances since 1996, with the BSE crisis, the high value of the pound, and falling prices and agricultural support levels, has changed this perception dramatically. Similarly unsettling circumstances have arisen in other countries, for example in eastern Germany following re-unification, and in Austria on accession to the EU, leading to large increases in the number of farms converting.

The perception of the need for change needs to be accompanied by a conviction that organic farming is a suitable alternative. This requires a high degree of confidence building, because of the perceived financial, social and psychological barriers to conversion. It is not simply a case of 'more profits = more farmers' as many might argue. Our preliminary assessment of this issue indicates that four key factors are involved:

- policy signals from government and other policy-related institutions;
- market signals from the food industry;
- access to information;
- and the removal of institutional blockages or antagonisms.

It seems clear that each of these has been problematic in the UK at some point in the last decade. However, the changes that have taken place in all four areas over the last two years mean that the UK is now poised for substantial growth.

Integrated action plans

Assuming that this analysis is correct, it provides a new basis for future policy development to encourage organic farming, particularly in the context of Agenda 2000, with a focus on integrated action plans rather than single measures like the organic support schemes under the agri-environment programme.

Potentially the most important Agenda 2000 proposal is that to consolidate all existing agri-environment, rural development and structural policies into a single rural development regulation, to be implemented through single programming documents (Rural Development Plans) developed by member states. The draft regulation includes measures concerning investment aids, young farmers, early retirement, less favoured areas, agri-environment schemes, processing and marketing of farm products, and forestry.

By integrating most of the measures discussed above into a single regulation, and requiring member states to produce customised rural development plans, the proposals have significant parallels to the 'action plans' for the development of organic farming developed in some countries and most recently in Wales. (Details of these were circulated in advance of the seminar). There is a strong case for the Agenda 2000 Rural Development Plans to include a specific focus on organic farming.

The policy challenge

Policy-makers should take heed: organic farming may be a challenge for farmers to adopt, but its potential to meet environmental, economic and other policy goals while incorporating consumer 'willingness to pay' through the market mechanism makes it an attractive option. The likelihood that organic farming can also happen on a wide scale, without serious undesirable consequences in relation to food security, means that it is time that organic farming is treated as a mainstream policy option under Agenda 2000 and longer-term CAP reform.

Acknowledgement

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The following reports from this research project will be available in the near future:

Nic Lampkin, Carolyn Foster, Susanne Padel, Peter Midmore (1999) The policy and regulatory environment for organic farming in Europe. Organic Farming in Europe: Economics and Policy, Volume 1, University of Hohenheim, Stuttgart, Germany.

Nic Lampkin, Carolyn Foster, Susanne Padel (1999) The policy and regulatory environment for organic farming in Europe: Country reports. Organic Farming in Europe: Economics and Policy, Volume 2, University of Hohenheim, Stuttgart, Germany.

Carolyn Foster, Nic Lampkin (1999) Organic production statistics in Europe. Organic Farming in Europe: Economics and Policy, Volume 3, University of Hohenheim, Stuttgart, Germany.