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Overview of Development of Organic Food and Farming in the CEE - Elements for a Regional Action Plan

SUMMARY

The economic transition in Central and Eastern Europe (CEE) resulted in rather drastic changes of the agricultural sector. The transition to a market economy caused a huge price disparity between the agricultural commodities and agricultural inputs. The high prices of agri-chemicals and low prices of agricultural produce forced farmers to reduce agricultural inputs or refrain from using them altogether. However, this shift was not the result of a designed agri-environmental policy but rather the consequence of a socio-political evolution from state economy to market economy. At present, the low-external-input agriculture is predominant type of farming in the CEE. However, this type of farming is not necessarily environmentally and nature friendly as it can also cause a whole spectrum of environmental/nature degradations. Organic agriculture is improved and more sustainable form of low-external-input agriculture. It has been practised at some 380.000 ha all over the CEE. The pressure from the local NGOs, the EU accession process and market opportunities are the main driving forces rising the CEE policy makers' interest in organic agriculture and its benefits that are relevant for policy making. However, the support of the CEE governments to organic agriculture remains mainly rhetorical. In order to stimulate the further growth of organic agriculture sector in the CEE a regional action plan is needed. This plan should be an integral part of a pan-European action plan and should address the region-specific issues.

LOW-EXTERNAL-INPUT AGRICULTURE: FARMING REALITY IN THE CEE

Food production and food consumption in the CEE have declined considerably since 1989. The price of the agricultural inputs increased substantially higher in comparison with the prices of agricultural commodities. While input prices (and some retail prices) have almost reached the same level as those at the international market, prices of basic agricultural products remained almost a factor three below (Beaumont and Montiel, 1995). Farmers' reaction to this situation was very simple and logic. Since the cost of the (expensive) inputs doesn't pay back through the (cheap) agricultural commodities, they opted for the substantial reduction of the inputs used or refrained from using them altogether. This resulted in a drop of fertilisers and pesticides use by more than 50% in comparison with 1990 (OECD, 1999; Beaumont and Montiel, 1995). In some countries the decline of inputs corresponds very precisely to the disparity in price between the agricultural inputs and agricultural commodities. In Bulgaria for instance, during the period 1990-1994 the use of mineral fertiliser dropped for some 60%, while the price of the agricultural commodities increased for less than 60% in comparison with the increase of the mineral fertiliser price (Figure 1). In other words, the shift from high-input to low-external-input farming in the CEE was not the result of a designed agri-environmental policy, but rather the consequence of an evolution from state economy to market economy (Kieft, 1999).

Low input and small-scale, labour intensive farming has become the most predominant type of farming in the most CEE countries. In Bulgaria for instance the majority of far-

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mers (51.5%) own and cultivate plots smaller than 0.2 ha (Ministry of Agriculture and Forestry, 2000). The CEE farmers' investments are restricted to some very basic costs (e.g. seeds) and the production is not market oriented, but rather subsistence oriented.

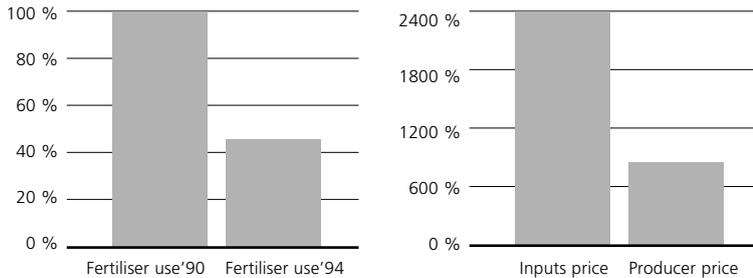


Figure 1. Relative changes of fertiliser use, agricultural inputs and producer prices in Bulgaria in the period 1990-1994.

The low-input farming often results in declining agricultural output and thus is not economically feasible. Besides, low-external-input farming, as practised by the majority farmers in the CEE is not necessarily environmentally friendly (Znaor, 1997; Znaor 1999) since it:

- does not pay sufficient attention to anti-erosive measures and promotes continuous soil erosion
- can cause overgrazing, or more often undergrazing (detrimental to biodiversity)
- does not pay sufficient attention to the replacement of soil organic matter, leading to bad soil structure and a decrease in overall soil fertility and soil water holding capacity (more irrigation needed)
- leaves soil bare after a harvest, resulting in soil erosion and nutrients leaching;
- often has inappropriate manure management (storage and application), resulting in run-offs, leaching and volatilisation
- often applies narrow crop rotation or even monoculture that not only reduces soil fertility and allows the build up of pests and diseases, but also has a negative effect on biodiversity
- does not entirely eradicate the need for pesticides and fertilisers use (that are used, but in smaller quantities)

Exceptionally high erosion rates and water pollution in the CEE are best proof of this. The soil erosion affects some 90% of the Croatian farmland, with the soil erosion rates as high as 200 t/ha (UN-ECE, 1999). More than 50% of the Russian and Romanian farmland is subject to various degrees of soil erosion (UNEP, 1997; Znaor, 1999). More than 50% of the total nutrient load to the surface water of the Danube Basin (mainly the CEE countries) derives from agriculture (Haskoning, 1994; TG-MWRI, 1997).

In short, agriculture in the CEE although at a record low or even approaching zero input- is not sustainable either from an economic or environmental point of view.

CURRENT AGRI-ENVIRONMENTAL POLICIES IN THE CEE

The CEE region involves some 20 countries and their agricultural policies are rather diversified. However, ten years after the transition, agricultural policies of most CEE countries are still "at the crossroad". The agricultural policies of the CEE countries are characterised by a diversity of development visions as well as a diversity of concepts how to implement these visions. The turbulent political climate, with too frequent political changes and replacement of the key policy makers, make it very difficult to set up and consistently implement any mid- or longer term policy. In a number of countries the role of the ministries of agriculture is not yet fully profiled as they still struggle in making a full swing towards serving private farmers instead of the remaining structures of the agricultural co-operatives. Furthermore in the EU-candidate countries, the accession process puts tremendous pressure on policy makers. The harmonisation with the EU legislation requires substantial human resources (some 80% of the EU aquis is related to agriculture and the environment) and investments. The most recent calculations on the cost of integration to the EU show that in some accession countries this cost exceeds the per capita GDP (Angelov, 2001). The environmental investments required alone make 3-5% of these countries' GDP, which is much higher than the average environmental expenditures of OECD member countries (only 1-2% of GDP). At the same time the EU assistance (e.g. Phare, Tacis, SAPARD, etc.) and bilateral programmes will provide at maximum some 20% of the required amount.

The agri-environmental components of the current agricultural policies either don't exist or are rather vague and underdeveloped. Several countries (e.g. Czech Republic, Hungary, Slovakia, Poland and Slovenia) have started with some forms of support to environmentally friendly farming. Ironically, such support sometimes co-exists with subsidy schemes for agri-chemical inputs. In some CEE countries the farm-level costs of agri-chemicals are maintained at a low level by total or partial tax relief (e.g. Hungary), or by (hidden) subsidies on the commercial product or its manufacturing process (Lukacs and Pavics, 2000; Znaor, 1999).

The official agricultural policy in most CEE countries still aims at restoring agri-chemical inputs to the pre-1990 level (Kieft, 1999), and environmentally friendly agriculture is not seen as a serious policy option (EC, 1998). One of the latest proofs of this is the list of the pilot projects submitted by the EU-applicant countries for the EU-SAPARD support. Only a few agri-environmental projects appear on this priority list (BirdLife, 2000).

ORGANIC AGRICULTURE IN THE CEE: OVERVIEW

Organic farming offers an interesting contribution in solving the environmental and economic problems of the CEE's food and agriculture sector. The data on the surface under organic management in the CEE has to be treated with caution, as reliable data for some countries is difficult to obtain due to the dynamic development of the sector as well as the calculation methodology. Some statistics include only certified land, while others include in-conversion land, as well. Additional problem is the area certified by the non-CEE certified bodies (mainly for export to the EU) as these figures is difficult to obtain centrally. Last but not the least, the rapid growth of the sector brought to the scene some local certifying organisations whose certification scheme is of questionable quality. Currently, organic farming has been practised at some 380.000 ha of the CEE's

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farmland (Table 1) with a tendency of further growth. As far as the stage of organic agriculture development is concerned, three groups of countries can be distinguished:

1. frontrunner countries, such as the Czech Republic, Hungary, Poland and the Slovak Republic. These countries have relatively large area under organic management and rather developed marketing, inspection, certification, etc.

2. countries with rapidly expanding organic agriculture, such as Estonia, Latvia, Lithuania and Slovenia. The organic sector in these countries is rapidly developing and the supporting institutional structures (regulations, inspection, certification, market, research and education) are being established or further mastered.

3. countries with the emerging organic agriculture. This group includes Albania, Bulgaria, Croatia, Georgia, Moldova, Romania, Russia, Ukraine, Yugoslavia, etc. The organic production and marketing, as well as regulations, inspection and certification system is still not properly functioning, but is emerging.

Table 1. Estimation of certified organic land area in Central and Eastern Europe in 2000.

Country	Hectares	Country	Hectares
Albania *	2	Lithuania	5.000
Bosnia and Herzegovina *	0	Macedonia *	0
Bulgaria *	150	Moldavia *	800
Croatia *	13	Poland	22.000
Czech Republic	170.000	Romania *	300
Estonia	10.000	Russia	30.000
Georgia *	350	Slovak Republic	60.000
Hungary	47.000	Slovenia	5.500
Latvia	20.000	Yugoslavia *	120

* some sources refer to a much greater area in these countries, as they also include the area "certified" by some organisations with rather liberal certification scheme.

The existing calculations from the region show that a share of as little as 10-20% of organic farming in the total agricultural production already exhibits benefits for the national economy and reduces the environmental costs and degradations induced by the agricultural production (Znaor and Kieft, 2000).

THE MARKET

The value of the CEE organic market is difficult to estimate, as there are no reliable figures available. The value of the total certified organic agriculture goods in the entire CEE might range between 0.8 and 1.2 billion dollars. Some countries such as Hungary, Russia and Slovak Republic produce organic food mainly for export (Hungary > 90%), while the countries such as the Czech Republic and Slovenia produce primarily for the domestic market. Majority of the organic produce at the domestic market is sold in the

direct contact with consumers (on-farm sale, market places. etc.) or in specialised shops. In the countries with the emerging organic agriculture, alternative markets channels such as “garages-sale” and vegetarian restaurants also play an important market role. Organic products do attract a premium price at the CEE markets. The premium price for most of the organic produce in the Czech Republic is 10-20%, Poland 30-50% and Croatia 50-100% higher as compared to the price of the conventional food. However, the supply and demand mechanism is the key rule in determining the magnitude of the premium price. Variable quality, low quantity, limited choice, irregular supply and the lack of the reliable, local certification system are the main obstacles for introducing organic produce into the supermarkets. Health, fashion and ideological reasons, rather than the nature and environment are the driving forces for most organic consumers. The typical organic consumers are younger, well-educated people, as well as the elderly persons with health problems.

INSPECTION AND CERTIFICATION

The system of inspection and certification is in place in most CEE countries. However the quality and reliability of these systems in the Czech Republic, Hungary, Poland and Lithuania is far ahead other countries, as these countries have IFOAM accredited certifying organisations. The inspection and certification is rather vague and liberal in the countries with the emerging organic agriculture. The volunteers of the local NGOs that have limited manpower, time, expertise and financial means run most of the inspection and certification in these countries.

The authorities of the most CEE countries have already adopted the regulation on organic farming (or this is in procedure). However, these regulation are more the government's respond to the years of pressure from the organic NGOs and own administrative strivings to harmonise their own regulation with that of the EU- rather than a product of the genuine interest in organic agriculture by the CEE policy makers. In some countries these regulation are still not in the implementation since they do not precisely administer some of the most vital questions, such as the basic management operations and the list of permitted substances. They offer just a “framework”, while the ministries of agriculture still have to come with the additional directives that would enable their operational use. However it is highly questionable how all this will be worked-out in some countries, as the qualified experts and institutional settings needed to implement the organic inspection and certification are still to be built. This juridical and institutional “vacuum” favours the work of the foreign (primarily EU-based) certifying organisations. Their number and presence in the Balkan countries for instance- literally flourish. The competition among these organisations that wish to conquer the new markets is rather strong. In certain CEE countries some of these organisation already got monopoly at the market as they managed to obtain the “exclusive right for certification” (signed by the minister of agriculture)!

STATE SUPPORT TO ORGANIC AGRICULTURE

With the exception of the Czech Republic, the governments of the CEE have so far paid relatively little attention to organic agriculture. In the past years the organic NGOs were the only true pull and push force in promoting organic agriculture in the CEE. Currently there are some 200 NGOs that are specialised in organic agriculture throughout CEE,

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with ever increasing number. Their work encompasses a wide range of activities, such as training and education, publishing, consultancy, inspection and certification, awareness campaigns, etc.

The wish to join the EU forces both the actual and potential accession countries to adapt their respective regulations and economic instruments to those of the EU. This is an important factor as the regulation on organic agriculture, as well as that on agri-environment is an integral part of the EU legislation. In order to pursue the EU membership, the governments of the accession countries have to establish (and harmonise) legislation on organic agriculture, too. As this is not an easy task international and bilateral development programmes sometimes support and facilitate this process. (The introduction of the EU agri-environment programme (Regulation 2078/92) in the ten accession countries, funded by the Dutch government and co-ordinated by the Avalon Foundation is one of the apparent examples of this kind).

Apart from the pressure of the local NGOs, the EU accession process and international donors, the market opportunities (both export and domestic) play an important role in rising governments' interest to organic agriculture (Figure 2).

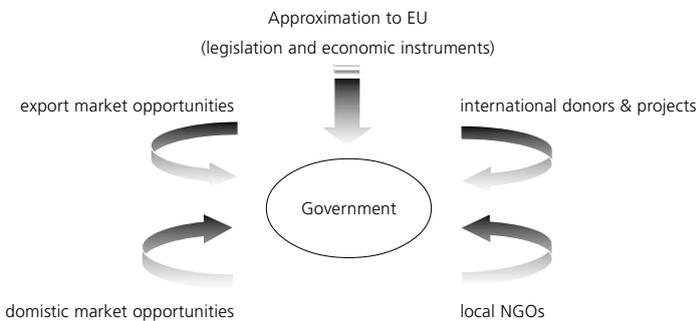


Figure 2. The CEE governments and organic agriculture: field-forces analysis.

The CEE governments' budgets devoted to organic agriculture are meagre. Only Slovenia and the Czech Republic have budgets that are higher than 1 Euro per hectare of the utilisable agricultural area, while the budgets of all other countries are far below this figure (Table 2). A serious political will and commitment to promote organic agriculture is still missing and the support to organic sector in most of the countries is mainly rhetorical. Although many CEE policy makers claim they would support organic farming if they had higher budgets, the reality is often different. Croatia is an excellent example of this practice. Out of nearly 150 subsidies for agricultural production and numerous development programmes run by the Croatian Ministry of Agriculture, none are designated to support organic (or any other type of environmentally friendly) farming (Znaor, 2001)! There is always some money to promote various forms of agriculture, and the support to organic agriculture is a question of priority and strategy rather than the money available.

Table 2. State support to organic agriculture of the selected CEE countries.

Country	Regulation	Direct payment	Estimated OA budget for 2001**	
		(Euro per ha)total	total Euro	per ha of UAA
Bulgaria	in procedure	-	0	0,00
Croatia	+	-	135.000	0,05
Czech Republic *	+	30-90	4.600.000	1,10
Estonia	+	25-60	800.000	0,55
Hungary	+	-	600.000	0,10
Macedonia	in procedure	-	0	0,00
Poland *	+	30-130	1.400.000	0,07
Slovenia *	+	186-571	1.200.000	1,50

* The budgets earmarked for 2001 should actually be much higher in order to be sufficient to cover for the direct payments alone. However, the existing official data and resource persons contacted repeatedly indicated the budget amounts used in this table.

** Includes money for the direct payments, inspection and certification, market development, etc.

REGIONAL (CEE) ACTION PLAN ON ORGANIC AGRICULTURE: JUSTIFICATION AND ELEMENTS

The organic NGOs did a major job in promoting organic agriculture in the CEE. However, their limited political influence, manpower and financial means are now obstacles for initiating further changes. A more rapid development of the CEE organic agriculture sector is possible only with the governmental support. The momentum is there as both the political settings (accession to EU and rhetorical support of the CEE policy makers) and markets favour organic agriculture. Besides, organic agriculture is seen as an interesting contribution in solving the environmental problems of the region. The ministerial conference of the environmental ministers of the Danube countries (predominantly CEE countries) held in April 2001 in Bucharest called for a further support to organic agriculture, as well as for a regional action plan in this filed. The need for a regional action plan is also justified as the CEE countries:

1. do not have any (or have vague) agri-environmental policies
2. do not have the on-going action plans for organic agriculture
3. place organic agriculture low at the political and other agendas
4. need an extra push in order to transform the rhetorical support of the CEE policy makers into a more tangible forms of support
5. will otherwise be lagging much behind the EU in pursuing modern policy and production practices that enable true environmentally friendly, economically feasible and socially/ethically acceptable agriculture.

Ideally, the regional (CEE) action plan should be an integral part of the EU action plan on organic agriculture. This will give an extra political "weight" to the plan and provide a true pan-European perspective for the development of organic agriculture. The past and present EU experiences will be very valuable to the CEE in designing its regional plan. The plan should have clear objectives, realistic targets and timeframe. It should also adequately reflect the region-specific situation and problems. The measures of this plan should facilitate conversion to organic agriculture of not only currently dominating

low-input agriculture, but also that of the remaining high-input practices. A mix of policy instruments (regulative, economic, informative, institutional and voluntary) should be put in place to facilitate implementation of this plan. Among these, the economic instruments should play a key role (e.g. conversion subsidies, fiscal policy, etc.). However, the economic instruments should go hand in hand with a specific capacity building policy of training, extension and R&D programme to enable management decisions not to rely on high inputs only, but on the most efficient use of available farm resources and inputs. The plan should also address the tactics of involving various stakeholders and define the progress monitoring mechanisms. Last- but not the least, a realistic budget should be determined to enable the successful implementation of the plan. Next to the national budgets of the CEE countries, substantial international support will be required. The international development programmes like those of the EU and bilateral co-operation agreements can be an important source of financing. Besides, some innovative financial schemes such as debt swaps for environment should be explored, too. The establishment of an international facility that would co-ordinate preparation and implementation of this plan is vital for enabling a concerted and efficient action!

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