

ORGANIC FARMING – A BUSINESS PERSPECTIVE

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Abstract

Organic farming is considered to be one of the solutions for the problems of sustainability faced today by the agricultural sector. This paper describes the growth of the Walloon organic sector during the last years thanks to the support of the regional authorities through financial incentives and a new regional strategic development plan. It also presents some results collected during an on-farm survey concerning organic cereals. It appears that organic farming has significantly developed thanks to public support even if the prices of organic products are exceeding by 30% those of conventional products. Organic farming can play a significant role in the future of Walloon agriculture. However, due to the high conversion rate during these last years, it is not guaranteed that the financial support could be conserved at a such level.

Keywords:

organic farming, pesticides, fertilizers, business.

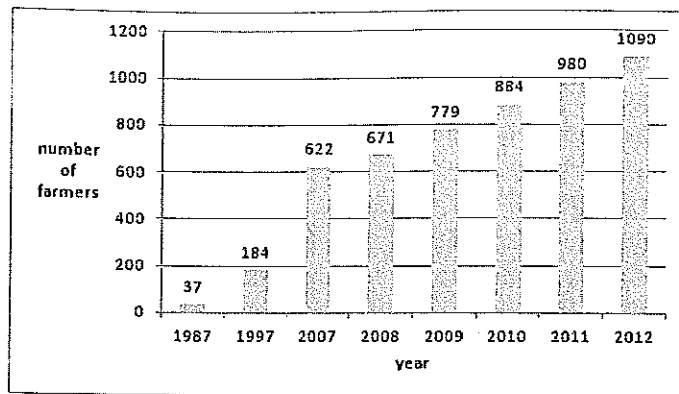
Introduction

Organic farming is more and more considered as a credible alternative to conventional agriculture, being able to solve current problems, notably with respect to environment, employment and food safety. In the South of Belgium, Wallonia, organic farming represents today a significant part of agriculture. The goal of this paper is to show the growth of organic farming in Wallonia, to examine the present situation and to analyse the public support granted to organic farming, through direct payments but also through a new regional development plan including research, extension, promotion and the definition of quantified targets concerning economic activity and consumption. The results are based on statistical data collection and on a survey among organic cereals producers, in order to contribute to the assessment of the economic relevance of organic farming.

1. Dynamic of organic farming in Wallonia

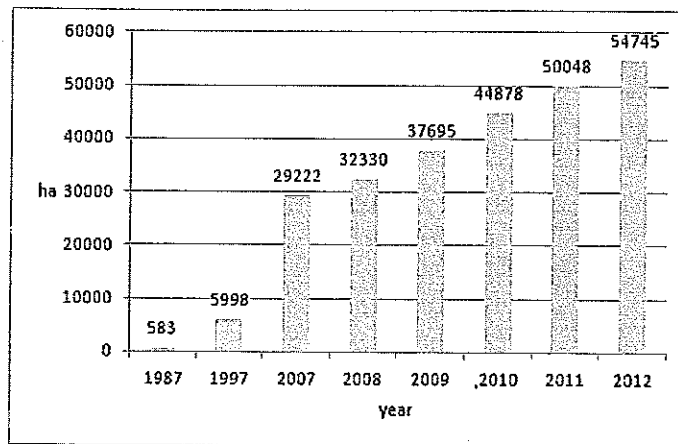
The first census about organic farming in Wallonia dates from 1987. At this time, only 37 farmers were implementing the organic methods. This number stagnated during several years; in 1997, there still were only 184 organic farmers in Wallonia.

However, thanks to the stronger support of the public authorities, from the European Union and the Walloon Region, the importance of organic farming increased significantly during the last decade. In 2007, the number of organic farmers was around 600, and in 2012, it approached 1,100 (figure 1).



Source: Bioforum, 2013

Figure 1. Evolution of the number of organic farmers in Wallonia (1987-2012)



Source: Bioforum, 2013

Figure 2. Evolution of the area (ha) devoted to organic farming in Wallonia (1987-2012)

As the total number of farms is still decreasing by 3-4% every year, the share of organic farmers in the total number of farmers is steadily increasing, reaching 8.1% in 2012, which becomes significant.

The area devoted to organic farming followed the same trend. From only 583 ha in 1987, it reached nearly 6,000 ha in 1997, 29,000 ha in 2007 and 54,700 ha in 2012 (figure 2), which also represents 7.6% of the Walloon agricultural area.

So, it is clear that organic farming is no longer "confidential", but really constitutes a component of Walloon agriculture to be taken into account.

2. Profile of the organic farmers and reasons of the conversion

An inquiry led in 2012 by the authors at producer level showed that the middle age of the organic farmer was quite similar to that of the conventional farmers. The study also brought to light that a farm working under organic specifications was not necessarily a "small farm" but could also extend over more than 300 ha. This is due to the fact that organic farms in Wallonia are converted farms and not new comers changing the way of production.

The producers justify the change by their wish to reach a higher self-sufficiency (farms with livestock), to be more independent from multinationals producing pesticides, fertilizers and

feedingstuffs and to produce a more sustainable food. Some producers experienced health problem that decided them to orientate to an agriculture without chemicals.

Subsidies proposed per ha of organic crops are also an important factor that help to convince them to change to organic agriculture.

3. Organic farming in Wallonia today

The area devoted to organic farming (table 1) is mainly constituted by meadows (85%). In fact, it can be said that these meadows, mainly situated in the South-Eastern part of Wallonia, where soils are acid and of relatively bad quality, inconvenient to produce wheat or sugarbeet. Therefore they have always been managed in a way which was not far from deserving the organic farming label. These areas are traditionally devoted to bovine production (69.690 heads in 2012, more than the double compared to 2006), with dairy cows and suckling cows or double-end (meat and milk) animals. In such a case, it can be said that many farmers did not really convert their enterprises to organic farming, as they did not use important quantities of chemical fertilizers or pesticides in the past. So, in such a case, the increase of organic farms is only due to official recognition and not to a deep change in management practices.

Table 1. Area of the main organic productions in Wallonie in 2011 (ha).

Type of crops	Area (ha)
Vegetables	372
General crops	5862
Meadows	42882
Fallow	872

Source: Bioforum (2012)

The situation is quite different for general crops, which represent around 12% of the total organic area. In this case, farmers had to change significantly their practices, as high quantities of chemical fertilizers and pesticides are used in conventional agriculture. One of the results is, for example, that the yields for wheat reach from 2 to 6 tons in organic farming against 9 in conventional agriculture.

The most important crops are spelt, wheat and barley. A remarkable increase is observed in the poultry meat sector, with 1,3 million heads in 2011 (the double compared to 2005). 10.000 pigs and 9.000 sheep are also raised with organic methods.

4. Consumption of organic products in Belgium

The market share of organic food and non-food products in Belgium reached 1.4% in 2011, compared to 1.3% in 2010.

Concerning food products only (2012), the market share of organic products reaches 1.9 % and increased after several years of increase. The market share is variable according to the product: 8,9% for eggs, 5% for vegetables, 3% for bread, only 0.7% for meat. More than 59 % of the total expenses are devoted to vegetal products.

The percentage of purchasing households is also highly variable: 60% for vegetables, 43% for fruits, 33% for dairy products, 22% for bread, 19% for meat, 13% for eggs, 9% for poultry meat. However, "purchasing household" means that the product has been bought at least once over the year only. It is clear that many consumers buy sometimes conventional products and sometimes, but much less often, organic products.

Among the different categories of consumers, the biggest buyers of organic products are single people and retired people with relatively high income. The price of organic products can explain this situation, as it is, as a mean, 30% exceeds by the price of conventional food.

The consumers generally buy organic food in supermarkets (44.4%) and in shops specialized in organic products (31.5%). Direct sales from farms represent less than 5% of the market in 2012, and local markets 4.3%.

5. Public support to organic farming

a) Direct payments per hectare

The financial support for organic farming in Wallonia is presented in table 2.

Table 2. Financial support for organic production in Wallonia (€/ha)

Classification of crops	From 0 to 32th ha	From 33th to 64th ha	From the 65th ha	Area in conversion (2 years)
Group 1 Meadows and forage	275	150	75	150
Group 2 Fallow	275	150	75	150
Group 4 Other annual crops	450	325	150	150
	From 0 to 14 ha	From the 15th ha		
Group 3 Horticulture	750	450		

Source: Service public de Wallonie, Direction générale de l'Agriculture, des Ressources naturelles et de l'Environnement.

b) The organic farming development plan

The Minister for Agriculture in the Walloon Region is favourable to organic farming and has charged private advisers (COMASE) to study the organic farming sector and to propose measures to support its development.

In December 2012, the following main features of the development plan have been approved by the Walloon Government (Cabinet du Ministre wallon de l'Agriculture, 2012).

- create a platform gathering all the actors in the field of organic farming
- coordinate the implementation of the organic farming development plan by the different administrations
- create a research unit on organic farming at the Walloon Centre for Agricultural Research, including some existing field trials and already existing centers
- coordinate the actors producing information about organic farming
- organize the communication towards professionals
- inform the actors about the possible financial supports
- harmonize the nomenclature in coordination with the certification bodies
- continue the direct payment regime through the period 2014 - 2020
- try to find financial support outside the agricultural sector
- make conventional farmers aware about organic farming
- organize the cooperation among the actors of the organic chain

- promote the consumption of organic products in communities
- support farmers in order to build up organic food chains
- support direct sales
- support cooperatives and farmers associations in order to produce, process and distribute organic products
- support research projects in organic farming
- make a census of all the actors in the organic sector
- include the Walloon research on organic farming in the European network
- have a permanently up-to-date register of research programmes on organic farming
- implement demonstration trials and support innovation transfer among the actors of the organic chain
- support training in organic farming
- make teachers aware of the importance of organic farming
- build up a specific teaching programme on organic farming
- organize training programmes for organic farmers
- promote the consumption of organic products among citizens and communities
- implement a communication plan on organic farming for the public and the farmers
- manage a website on organic farming

In addition, the development plan has defined precise targets for the year 2020:

- double the share of organic farming in the Walloon agricultural area, and so to reach 14%
- increase the number of organic farmers to 1750, compared to 980 in 2011
- double the number of organic products processing enterprises, and so reach 500 units
- increase the value of organic products sales of the processing enterprises from 222 million € in 2009 to 500 million € in 2020
- increase the share of organic products in the household food expenses from 1.7% in 2010 to 3.0% in 2020

Conclusion

Organic farming has registered during the last years a large increase in Wallonia as far as the agricultural area and the number of farmers are concerned. Nowadays, the share of organic products in the food expenses of Belgian households is still small but this trend might be changed through promotion and communication.

In Wallonia, organic farming and direct sales are considered today, by the Minister for Agriculture, as good solutions for the future. A development plan for organic farming has been launched, including research and extension. The goal is ambitious: to reach 14% of the Walloon agricultural area in 2020, to nearly double the number of organic farmers and processors and to reach a share of 3% for the household expenses on food.

Benefiting from such a public support, organic farming could have a bright future in Wallonia. However, this is not sure that the actual level of subsidization could be maintained for the future years as the actual conversion rate requires an annual increase of ~2 millions euros of the total budget dedicated to organic farming. The demand of organic products will play an essential role in the future development of the sector. Prices of organic products are still significantly higher than prices of conventional food products, and many consumers could so be reluctant to pay more for organic products, especially in a period of economic and financial crisis.

Is such conditions, it is more probable that organic farming will remain a specific and limited area of global agriculture.

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