

Impact of the New EU Organic Regulation on Smallholder Value Chains and the European Organic Sector

Exploring the Expected Implications for Producers from Developing and Emerging Countries



Florentine Meinshausen, Toralf Richter, Beate Huber

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Any inquiries regarding this book and its contents should be sent to Florentine Meinshausen, FiBL, Ackerstrasse 113, 5070 Frick, Switzerland, e-mail f.meinshausen@fibl.org.

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© November 2024. Research Institute of Organic Agriculture FiBL, Ackerstrasse 113, 5070 Frick, Switzerland, Tel. +41 62 865 72 72, e-mail info.suisse@fibl.org, Internet www.fibl.org

Language editing: Elsa Kanner and Helga Willer, FiBL, Frick, Switzerland

Layout and formatting: Andreas Basler and Helga Willer, FiBL, Frick, Switzerland

Graphs, infographics: Florentine Meinshausen, FiBL, Frick, Switzerland

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Abbreviations/Glossary

BTSF: Better Training for Safer Food

CB: Control Body

CN codes: Combined Nomenclature codes¹

COI: Certificate of Inspection

COLEAD: Collective Action for Sustainable Development

EGTOP: Expert Group for Technical Advice on Organic Production, European Commission

EU: European Union

FAO: Food and Agriculture Organisation of the United Nations

FiBL: Research Institute of Organic Agriculture/Forschungsinstitut für biologischen Landbau

GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)

GoO: Group of Operators

GOTS: Global Organic Textile Standard

ha: Hectare

ICS: Internal Control System

ITC: International Trade Centre, Geneva

NOP: National Organic Programme, USA

OFIS: Organic Farming Information System of the European Commission

SECO: State Secretariat for Economic Affairs, Switzerland

SPO: Small-scale Producer Organisations

t: Metric ton

UK: United Kingdom

¹ CN codes (Combined Nomenclature codes) are part of the European Union's system for classifying goods in international trade. They are used to categorize products in a standardized manner to facilitate trade, customs declarations, and statistical reporting within the EU.

The CN system is based on the Harmonized System (HS) developed by the World Customs Organization but includes further subdivisions specific to the EU.

I. Executive Summary

The new EU Organic Regulation re-defines the system for organic imports

European consumers expect that all organic products sold in Europe meet the same high quality standards regardless of country of origin and that this high quality will be ensured through rigorous control from field to fork. With the new Organic Regulation (EU) 2018/848, the European Commission has addressed consumers' and farmers' concerns about creating a level playing field by requiring imported products to adhere to the same strict and consistent standards as those produced within the European Union (EU). The overhaul of the previous Regulation (EC) 834/2007 and stricter rules for imports were considered necessary, as the “patchwork of rules and derogations in place did not give sufficient certainty and security” (European Commission 2017). The new EU Organic Regulation 2018/848 aims to encourage the sustainable development of organic production in the EU, guarantee fair competition for farmers and operators, prevent fraud and unfair practices, and improve consumer confidence in organic products.

On 1 January 2025, following the three-year transition period since the regulation came into force within the European Union, the EU import system for imports from most third countries² will transition from the current “equivalence” scheme to a new system of “compliance” with all EU legal requirements. Swiss organic imports will also be affected, as certification according to the EU Organic Regulation will be required for imports from most countries.

One of the key changes for organic production outside of Europe is the completely new set of rules for the certification of smallholder producer groups. Over the past decades, the prior versions of the EU Organic Regulation have provided a pathway towards sustainable production and income generation for an (estimated) thousand-plus organic smallholder supply chains in Latin America, Africa and Southeast Asia, benefiting more than a million organic producers by granting them access to the European market via “equivalent” certification. Currently, these smallholder producers are certified as organic “producer groups” using an Internal Control System (ICS) as described in non-binding EU guidelines, in equivalence with the former EU Organic Regulation (EC) 834/2008 for imported products. Third-party certification bodies focus on evaluating the group's ICS and traceability systems, including conducting representative spot-check inspections of group members.

² The previous regulation allowed two «equivalence» options for organic imports from third countries and the new Regulation defines different transition periods to phase out the equivalence system: The 14 countries which are recognised as equivalent organic control systems (e.g. Switzerland, US, Japan, India) need to renegotiate a trade agreement or change to compliance by end of 2026. For all other countries the current system of “control body equivalence” ends on 31 December, 2024. For more information, see chapter 3.2.

The new Organic Regulation (EU) 2018/848, with its shift from equivalence to compliance, requires these smallholder supply chains to conform to a new set of regulatory requirements for "Groups of Operators" applicable both within the EU and in third countries.

This study analyses the expected implications for organic smallholder supply chains, focusing on identifying key gaps in relation to the new rules to support adaptation. It highlights both challenges and opportunities and provides recommendations on how to assist smallholder supply chains in their adaptation efforts. The study evaluated information from stakeholder surveys, interviews, and country case studies, complemented by information received during various training courses for producer organisations. It also includes an analysis of producer and trade data to estimate the scale of smallholder group certification for the European market and the adaptation needs across different regions and crops.

Smallholder products and smallholder group certification for the EU market

A wide range of organic products for the European market are produced predominantly or to a significant extent by small-scale organic farmers from third countries who are certified as organic "producer groups". More than 70 % of EU organic imports of coffee, cocoa, spices, and coconut products and 40% to 70 % of banana, mango, avocado, ginger, etc., are produced and certified in smallholder groups (see Figure 1).

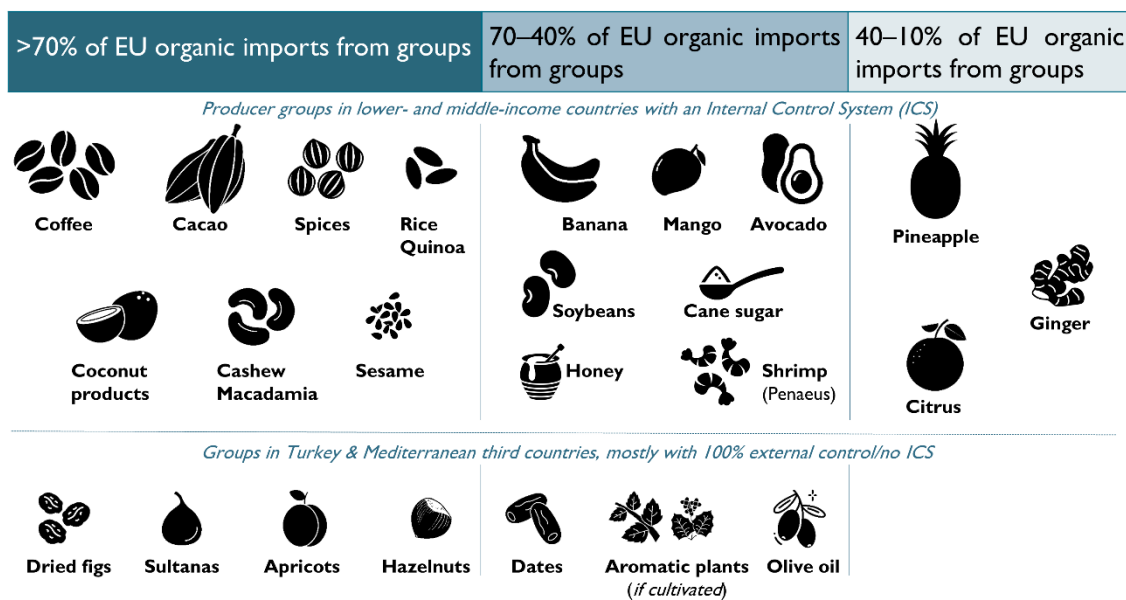


Figure 1: Estimated share of imported organic products, which are produced by smallholder groups.

Source: own illustration, based on own estimations.

The current scale of group certification was estimated based on organic production and import data, and data provided for Fairtrade organic Producer Organisations in

collaboration with Fairtrade International. It is estimated that about 1800 to 2000 organic producer groups with about one million farmers as members currently supply the EU market under a third country control body (see Figure 2).

Most producer groups will require challenging adaptations to maintain EU organic certification

More than two-thirds of the current small organic producer groups supplying the EU organic market will need to adapt their legal and organisational structure and/or certification setup to be certified as a “Group of Operators” and to continue to supply the European market.

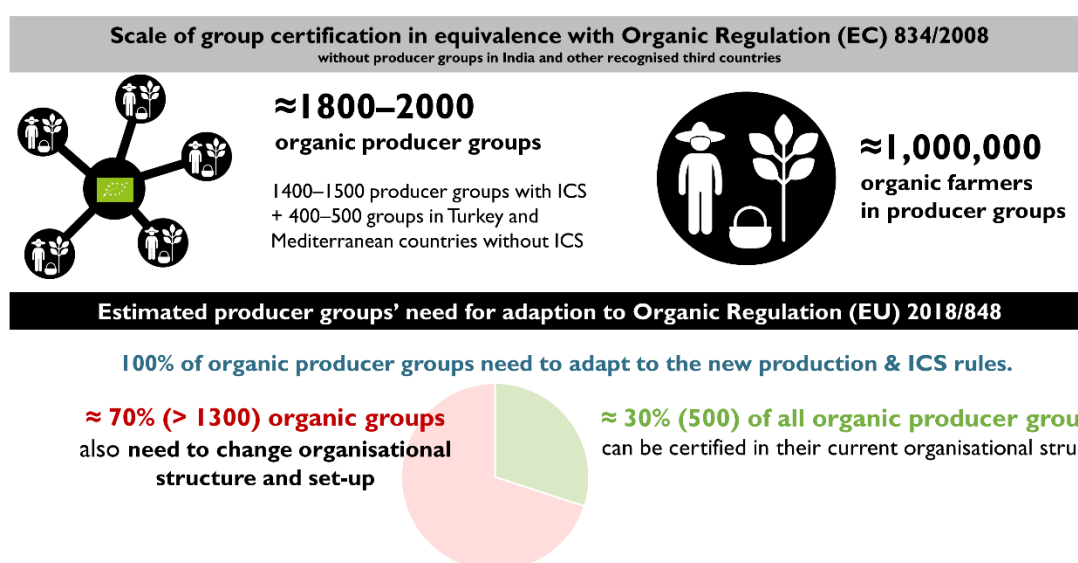


Figure 2: Estimated scale of group certification under third country control body equivalence for the European market and need for adaptation.

Source: own illustration, based on own estimations

The effects and need for adaptation vary by region and by product.

In Latin America, about 60% and in Africa and Asia, about 70% of the currently certified producer groups must adapt their organisational structure to maintain EU organic certification as a “Group of Operators”.

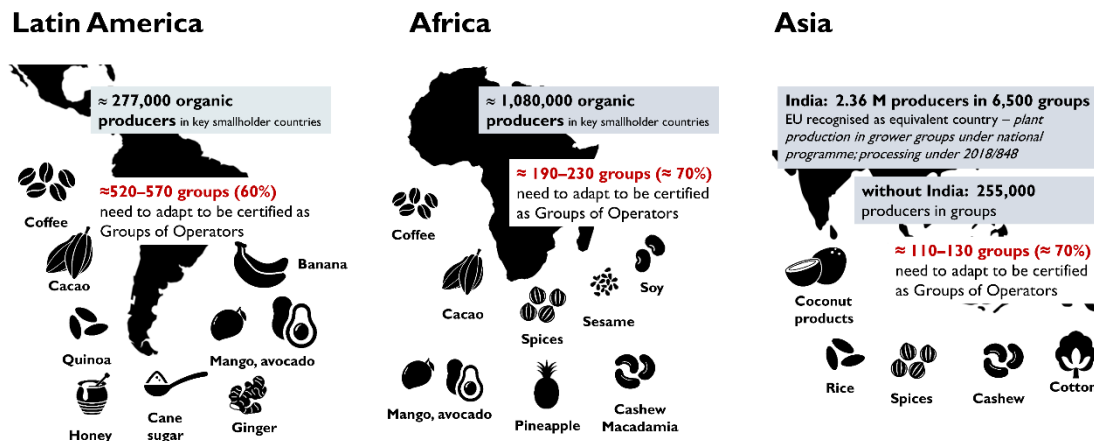


Figure 3: Estimated scale of group certification for the European market by continent.

Source: own illustration, based on own estimations

In Turkey, as well as the Mediterranean and Western Balkans region, many important organic products for the European market produced by small and medium-scale farmers are certified in clusters on behalf of a processor/exporter, mostly under a system of 100% external control by the organic control body (without an ICS). The certification and commercial setup of all of these supply chains will have to change, probably in most cases, to individual certification of each farm.

The required changes come at a difficult moment. Many organisations are struggling with increased costs due to inflation, price pressure and decreasing organic sales to Europe. Additional adaptation to new regulations is particularly challenging for smallholder producer organisations in cacao and coffee, who are confronted with the new requirements of the EU regulation on Deforestation-free Products³.

The introduction of the compliance scheme has further implications for organic farming in third countries. For example, many of the organic

crop protection products currently used in the tropics and subtropics consisting of local plant extracts and/or microorganisms may no longer be authorised under the new regulation.

Implications for the EU organic sector

Compliance with the new Organic Regulation (EU) 2018/848 is expected to have cost implications for smallholder supply chains of imported products. Internal and external costs for organic certification are expected to rise, although the scale of the increase can vary considerably. In response to a combined effect of cost increases, price pressure and the need to invest in complex adaptations, some smallholder supply chains and/or individual producers are considering withdrawing from EU certification. Depending on

³ Regulation (EU) 2023/1115 on Deforestation-free Products (EUDR). See information and link to further reading in section 3.7.

the scale of those opting out, this could lead to shortages of some organic products (e.g. coffee, cacao, bananas, other tropical fresh produce, oilseeds) and/or price increases in Europe.

European importers and processors are only partially aware of how fundamentally their supply chains need to adapt and often have insufficient knowledge of the situation in the countries of origin. They fear supply bottlenecks, disruptions and price increases.

Conclusions and recommendations

The new Organic Regulation (EU) 2018/848 is expected to meet its goals of strengthening controls and increasing the integrity of imported organic products in the medium and long term by setting consistent harmonised rules for operators and Groups of Operators in third countries. This will benefit farmers and consumers in Europe, as well as producers in third countries, as it will allow for a level playing field.

The new Regulation increases the transparency of group certification, which is expected to enhance market oversight and improve data availability on certified groups and producers.

Significant challenges exist regarding the implementation of the new Regulation in the short-term. Disruptions for some supply chains are likely during a transition period of 1 to 2 years until the new compliance regime is fully implemented, as about 70% of currently certified small producer groups need to change their legal and organisational structure. Delays in the recognition of control bodies led to a situation in which most organic producer groups will be audited against the new regulatory rules for the first time in 2025 only, while certificates based on the new scheme need to be ready and available by 15 October 2025. I.e. it is unclear whether the majority of supply chains will meet the new requirements to an extent which allows for a certification in time.

The responses for smallholder supply chain actors further imply that a considerable number are considering adjusting or stopping their export activities to the European market as the costs for meeting the requirements and risks with regard to non-certification will become too high.

This study recommends the following measures to support adaptation and minimise negative impacts on smallholder supply chains and the European organic market:

- EU importers and brands could support their small producer supply chains in understanding the new rules and in finding adaptation solutions. To encourage and support suppliers in the necessary adaptations, it is recommended to consider producers' challenges and future costs in trade contracts and trading practices.
- A “user-friendly” version of the EU Regulation consolidated with only the sections applicable in third countries (including relevant sections of secondary acts) and official EU-approved simplified guidance and/or a handbook summarising the new rules for third country production should be made available to increase the understanding and uptake of the new Regulation.

- Targeted training programs could be developed and implemented on larger scales. Training would address, for example, strengthening Internal Control Systems and disseminating clear user guidelines to help producer groups and producers align production with the new rules.
- Targeted support programs could also be considered to offset initial adaptation costs and efforts for third country producers. This could include, for example, support and market access programs to offset initial adaptation costs and efforts, as well as legal advisory services for restructuring and setting up new agreements.
- Organic authorities and policymakers could also support adaptation in third countries by addressing local key implementation challenges in ongoing legislative processes (e.g. authorised substances; temporary derogations).
- During the initial 1-2 years of compliance for imports, customs and competent authorities in import countries could support the import sector by task forces for specific questions or resolving import problems.

2. Project overview and methodology

2.1 Background and objectives

The new Organic Regulation (EU) 2018/848 replaced the earlier Regulation (EC) 834/2007 that has been in place since 2007. This new Regulation's changes to the import system, which will come into full effect by 1 January 2025, will result in substantive changes for producers in most countries outside of Europe that wish to continue to export organic products to Europe and Switzerland. This, in turn, is expected to affect the European and Swiss markets, but the scale of those effects is not yet clear.

An overhaul of the previous Regulation (EC) 834/2007 was considered necessary for several reasons. Many existing provisions were over 20 years old and needed to be updated to reflect the major changes that have taken place in the EU organic sector. Additionally, the "patchwork of rules and derogations in place did not give sufficient certainty and security to this highly important sector of European agriculture" (European Commission 2017). The update also accompanies the "European Green Deal", with its target of at least 25% of EU agricultural land under organic farming by 2030 (AGRINFO, 2023). The new EU Organic Regulation 2018/848 aims to encourage the sustainable development of organic production in the EU, guarantee fair competition for farmers and operators, prevent fraud and unfair practices, and improve consumer confidence in organic products.

To meet these aims, the new Organic Regulation (EU) 2018/848 fundamentally changes the regulatory approach for third country operations, moving from the principle of equivalence to the principle of conformity. While the earlier Regulation (EC) 834/2007 allowed organic goods to be produced in ways that were different but equivalent in

terms of outcome and alignment with organic principles, the new Organic Regulation (EU) 2018/848 now requires producers in third countries to conform to exactly the same set of rules as those used in the EU. This is intended to be fair for all producers, as everyone will have to meet the same standards (AGRINFO, 2023) and to ensure that organic products sold in the EU, whether produced there or not, all meet the same quality standards (European Commission, 2017).

However, although it seemed that significant implications would likely result from the new Regulation, more data and a deeper understanding of the problem through various lenses seemed necessary to allow all stakeholders to make informed decisions. Therefore, this study was proposed.

Study objectives

Because of the complexity of the topic, this study had several aims with various stakeholders in mind. The objectives were as follows:

- 1) To clarify the overall picture. Through data collection and analysis, the study aimed to quantify the expected implications of the new EU regulation on smallholder value chains in different products and regions and, from there, the expected impact on EU and Swiss markets.
- 2) To provide information for practical application of the new rules. Through data analysis, the study aimed to identify potential challenges and opportunities for different types of groups, regions and products so that targeted support and further training could be provided to facilitate the transition.
- 3) To elevate actionable information to enact change. Through data interpretation, the study aimed to provide actionable information for policymakers to minimise disruptions and ensure that committed organic smallholder producers have continued access to the European organic markets.

Limitations

Though this study aimed to provide preliminary insights on expected implications, it is clear that the changes required under the new Organic Regulation (EU) 2018/848 regarding the EU import system are fundamental and will have complex effects on various aspects of organic production and trade with third countries. As the Regulation is only now starting to be audited in third countries, actual impacts are not yet known, and real effects will only be measurable in the mid-term.

2.2 Methodology

Implementation of the study's activities started in the summer of 2023, once the legal clarifications by the European Commission for the group of operator definitions were published. By then, some control bodies had communicated the new requirements to

their clients, which was essential for collecting information from stakeholders on the expected effects of the new rules.

The data and information presented in this study were collected using multiple methods from October 2023 to June 2024. Further details on the methodology are described in Annex 1.

a) Online surveys on the implication of the new EU regulation

The online surveys on the implications of the new EU Organic Regulation for this study were promoted by FiBL, IFOAM – Organics International and various organic sector and trade organisations to reach a wide group of organic stakeholders, internationally and in Europe.

b) Country case studies

Three country case studies, conducted from February to May 2024, aimed to analyse specific challenges as well as opportunities for organic smallholder value chains in three countries: Peru, Ghana and Morocco, which were selected in the project planning phase together with SECO. The case studies were conducted by regional organic experts based on interview questions of the third country producer survey as well as analysis of available relevant data.

c) Interviews of European traders and key stakeholders

Twenty-five stakeholders in Europe (importers, processors, organic interest associations, certification bodies, and competent authorities) were interviewed for this study, with a special focus on stakeholders in Germany⁴ and Switzerland, and some provided follow-up update information via Email after the interview.

Also, numerous companies, certification experts and consultants in Europe and third countries, provided additional information on their adaptation measures, challenges, solutions and status of implementation. In August 2024, interviews with five major organic control bodies in the scope of another project provided updated information on the status of adaptation and begin of compliance control.

d) Analysis of data on organic production and imports

The study included:

- an in-depth analysis of TRACES EU organic import data (data 2022, European Commission 2023 and some data 2023 (European Commission, 2024), as well as

⁴ This was done in the project securing the integrity of third country imports of organic products ("Sicherstellung der Integrität von Drittlandsimporten bei Öko-Produkten2 (SECURBIO)), financed by the German Ministry for Food and Agriculture.

- a review of FiBL's organic 2022 data collection for the statistical yearbook "The World of Organic Agriculture" (Willer et al., 2023),
- national organic data registers where available and
- a review of earlier producer data estimates for FiBL's Study on Group Certification (Meinshausen et al., 2019).

e) Analysis of Fairtrade International data

Many key organic smallholder products imported in large volumes into Europe are also Fairtrade certified. Fairtrade International collects data for certified producer organisations, which are unavailable in organic data collections. Fairtrade International, therefore, collaborated with FiBL analysis to better understand the implications and need for adaptation of small producer organisations.

Data from over 850 Fairtrade organic small producer organisations (Fairtrade CODImpact data 2022⁵), as well as Fairtrade trade data, was analysed for this study to better understand the need for legal adaptation to the new Group of Operator requirements in different products and regions. The detailed analysis also served as a valuable basis to roughly estimate the expected effects for organic smallholder supply chains beyond Fairtrade, for which no detailed organic data is available. The results are integrated into the analysis of implications. More information can be found in Annex 1.5.

In parallel, training and additional technical guidance for adaptation in Fairtrade organic organisations was conducted to support producers' adaptation. The exchange with Fairtrade producer organisations, producer networks and European Fairtrade organisations provided additional insights on the status of adaptation in producer organisations, potential solutions and awareness of trade actors in Europe.

f) Stakeholder workshop to discuss implications for the German organic sector

A webinar/workshop session was organised jointly with the German organic industry associations BÖLW, AöL, and BNN, supported by the Bundesprogramm Ökologischer Landbau (Federal Organic Farming Scheme) under the SECURBIO project. Some key preliminary results of this study were shared in a webinar with over 200 German and Swiss stakeholders. In the workshop part, selected key stakeholders (40 registered participants) discussed key implications for the German organic sector and possible mid-term and short-term measures to mitigate risks and support adaptation in smaller breakout groups. The workshop findings were combined with interview results to

⁵ CODImpact is a voluntary questionnaire administered by FLOCERT during the Fairtrade audit. Fairtrade International is not responsible for the accuracy of the data. The information has been compiled to the best of Fairtrade International's knowledge and is provided for informational purposes only. See full disclaimer in Annex 1.5. Fairtrade provides impact data online in Product Dashboards: <https://www.fairtrade.net/impact/top-7-products-dashboard>.

summarize key implications and opportunities expected by the European organic sector (see chapters 7.3 and 8).

f) Inputs from training courses

Discussions with stakeholders involved in FiBL's training and technical support activities on the new EU regulation in smallholder value chains provided additional insights for the study. FiBL provided training courses or sessions on the new EU Regulation for producer groups for various organisations (e.g. GIZ, ITC, COLEAD, IFOAM – Organics International Rikolto and FAO) and under the scope of this study for more than a thousand stakeholders representing many hundreds of producer groups since 2022. See Annex I for more details.

g) Analysis of impacts of the new EU Organic Regulation in Ecuador

From August 2023 to March 2024, FiBL implemented a consultancy to provide training and technical support on the new EU Organic Regulation and key implications for the organic sector in Ecuador. It was carried out jointly with Agrocalidad, the national organic control authority. The study was supported and financed by Rikolto/CREA, ITC/Next and FAO/Paisajes Andinos programmes, all co-financed by the EU. The results of this consultancy provided in-depth "country case study" insights which were also used for this study.

The results were then compiled into this report, as well as into a summary presentation of results (see Annex 5).

3. The new Organic Regulation (EU) 2018/848 and key changes for producer groups in third countries

3.1 Overview of the new organic regulatory framework

The Basic Act of the new Organic Regulation (EU) 2018/848 was published in 2018 and entered into force in the EU in January 2022. The Basic Regulation is supplemented by numerous so-called "Implementing" and "Delegated" secondary regulations. Delegated Amending Regulations are changing either the basic Act or secondary regulations, and these legal amendments are (with some delay) integrated into "consolidated versions" of the respective regulations. However, the original regulation is the legally binding act. As many secondary acts contain important rules for third-country producers, selected secondary regulations (many of them published in 2021) are mentioned in FiBL training materials and this report. All regulations can be easily found on EUR-LEX in numerous languages by searching for the number. It is important to always follow the link to the "current consolidated version".

Figure 4 provides an overview of the regulatory framework of Regulation (EU)2018/848 with examples of secondary acts of particular importance for third country operations.

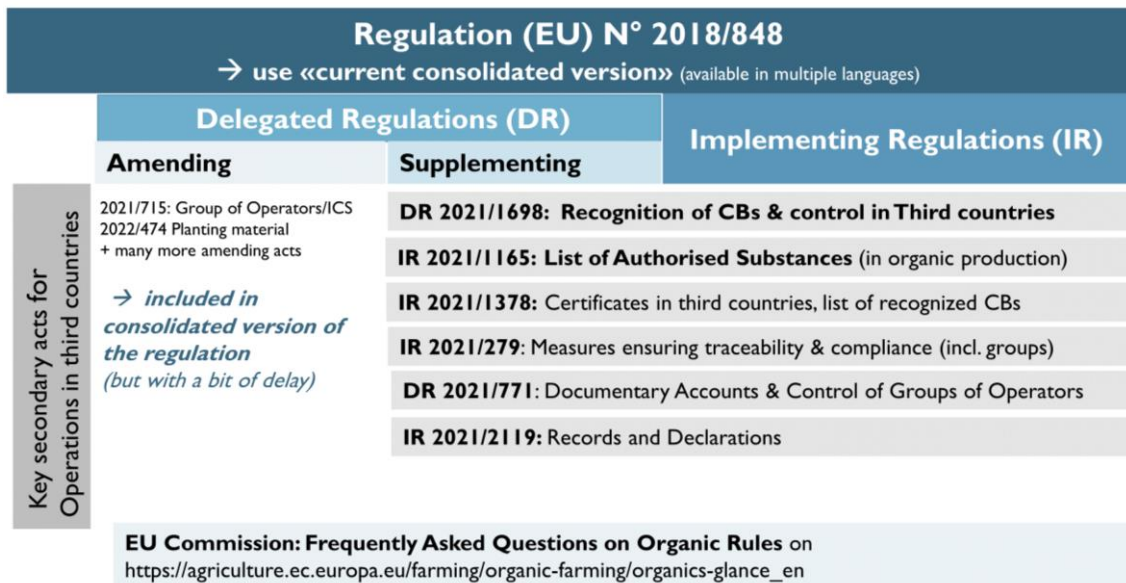


Figure 4: Regulation (EU) 2018/848 and key secondary regulations for third countries

Source: own illustration

For an overview and explanation of all organic acts for exporters, the [AGRINFO website on the organic regulation](#) provides a good, up-to-date overview.

3.2 Transition from “equivalence” to “compliance”

On 1 January, 2025 the EU import system and organic certification in most third countries changes to compliance with regulation (EU) 2018/848. Most organic third country certification in 2024 is still done according to the previous regulation’s equivalence system. Under a proposed derogation period until 15 October 2025, equivalence certificates of recognised control bodies will remain valid for imports into the EU under certain conditions.

One of the key changes in the Organic Regulation (EU) 2018/848 is the change from “equivalence” to “compliance” for imported organic products. The new Regulation provided for a three-year transition period, until 31 December 2024, for recognised third-country control bodies to move to compliance. During the transition period, the new Regulation allowed organic certification of imported products to continue in equivalence to the previous Organic Regulation (EC) 834/2007.

A different transition period applies only in the case of organic imports from 14 countries⁶ whose national organic system is recognised by the EU either through the equivalence system or by a trade agreement. Defined product categories, certified organic in accordance with these legislations, can still be exported to the EU without

⁶ Recognised as equivalent in regulation (EU) 2021/2325 Annex I under certain conditions: Argentina, Australia, Canada, Costa Rica, India, Israel, Japan, New Zealand, Tunisia, USA, Republic of Korea. Already completed Trade agreements for mutual recognition of organic products: UK, Switzerland, Chile. The EU has also decided to start negotiations for a trade agreement with Colombia and Mexico.

certification in compliance with the Organic Regulation (EU) 2018/848. The country equivalence system is being phased out and replaced by trade agreements (or change to the equivalence system) at the latest by the end of 2026.

All control bodies (CBs) active in other third countries were required to re-apply to the European Commission for recognition under the compliance scheme according to the procedures for Third Control Bodies in Regulation (EU) 2021/1698. CBs started to update their quality systems in 2022. Prior to the application, the CBs' compulsory accreditation, according to the international norm for certification bodies, had to be updated to cover the new Regulation. Most major organic inspection bodies submitted their dossiers to the EU in the second half of 2023. Some control bodies decided not to continue third country certification under the new system. The first batch of recognised inspection bodies was published in June 2024, and updated lists are published regularly. As of 31 October 2024, a total of 43 third-country CBs have been recognised⁷ for certification in compliance with the new Regulation (EU) 2018/848.

As of September 2024, almost all inspections and certifications in third countries continue under the equivalence scheme.

To avoid trade disruptions, a new final draft amendment of Regulation (EU) 2021/1698 allows for a derogation period from 1 January 2025 to 15 October 2025⁸. During the derogation period, third country CBs which are recognised for compliance will be able to issue certificates of import into the EU on the basis of the equivalence certificates operators and Groups of Operators that have committed themselves to comply with the Regulation by 31 December 2024 ("whose certification is pending on 31 December 2024"). Equivalence certificates can only be issued until 31 December 2024 and remain valid until 15 October 2025 at the latest. This implies that all organic audits from about mid October 2024 onwards must be already compliance audits according to the new regulation.

The applicable regulations and timelines, including the proposed derogation period, are summarised in Figure 5.

⁷ New lists are published as amendments of Regulation (EU) 2021/1378 and are being integrated into the "consolidated version". Last update: 31.10.2024 in Regulation (EU) 2024/2794 (11 CBs)

⁸ The draft regulation, comments and the version adapted by the European Commission in July 2024 can be found on https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14232-Imports-of-organic-products-certification-and-checks-of-certain-operators-in-non-EU-countries_en

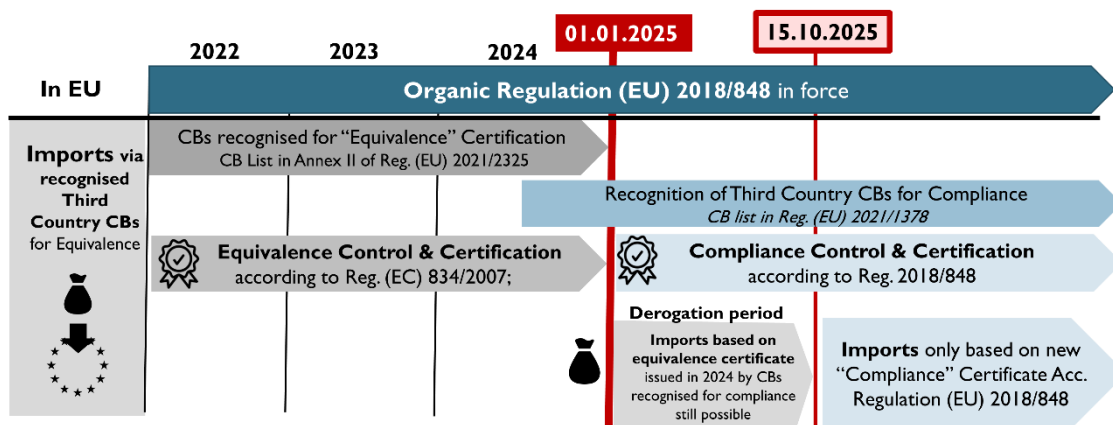


Figure 5: Transition from equivalence to compliance for imports from third countries (which are currently under third-country control body equivalence)

Source: Own illustration

The new Organic Regulation (EU) 2018/848 provided a three-year transition period for organic imports from most EU countries. However, for third country producer groups and operators, this transition has been compromised by a delay in recognising organic control bodies. Recognition was expected in 2023, which would have afforded a full year of transition in 2024 to be fully compliant with the new Regulation as of 31 December 2024.

At the time of writing this report, four months before the end of the transition period, very few producer groups worldwide have been audited against the new requirements. As a result, most certified organic producer groups in third countries are not yet fully aware of the potential non-compliance, the severity, and the resulting sanctions to be expected under their CB's entirely new catalogue of sanctions. During the draft consultation on the proposed derogation period, many organic associations and development organisations, therefore, called for an extension of the derogation period until 31 December 2025⁹. Nevertheless, the version, as adapted by the European Commission in July 2024, set the end of the derogation period to 15 October 2025.

This deadline will mean that all but a few certified organic producer groups worldwide (except in recognised third countries like India, see Chapter 6.3) will need to be inspected under the new compliance scheme in 2025 for the first time, and certificates must be ready by 15 October 2025. If not, their products can no longer be imported as organic into Europe from 16 October 2025.

⁹ See e.g. IFOAM Organics Europe (2022a), Fairtrade International (2024) or BÖLW (2024).

Comments submitted by many organisations can be found on https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14232-Imports-of-organic-products-certification-and-checks-of-certain-operators-in-non-EU-countries/feedback_en?p_id=32927090

3.3 New requirements for Groups of Operators

3.3.1 Why new requirements for Groups of Operators?

With the change of the EU's import system from equivalence to compliance with the same set of rules for production in the EU and non-EU countries, it was necessary to formalise the certification of smallholder producer groups, which was previously restricted to low-income countries. The regulation, therefore, introduced and defined a new concept of Group of Operators for small farmers in the European Union "in order to reduce the inspection and certification costs and the associated administrative burdens, strengthen local networks, contribute to better market outlets and ensure a level playing field with operators in third countries."¹⁰ The new legal definition and rules also addressed concerns in the EU about the quality of group certification in third countries, particularly in the case of very large producer groups (AGRINFO 2023).

The European and international organic sector had also recognised a need for strengthening group certification. The 2019 FiBL study on group certification concluded that stronger requirements were needed with regard to the dimension of a producer group and its members, farmer training courses and capacity building, reliable basic farm data and stronger external control of producer groups (Meinshausen et al., 2019). IFOAM –Organics International, which pioneered the concept of organic group certification in the 2000s, organised a multi-stakeholder workshop on strengthening group certification in 2019. It focussed on the best ways to strengthen control of producer groups, particularly very large groups, and to discuss open questions around the EU's new definition of a Group of Operators in the 2018/848 Basic Act (IFOAM – Organics International, 2019).

In 2020 and 2021, several secondary regulations, in particular Regulation (EU) 2021/279 and Regulation (EU) 2021/771, further specified the new EU requirements for groups, defining new rules on the dimension of groups and on external control. The final set of legal requirements for Groups of Operators included new requirements to address all key concerns highlighted by the organic sector. However, new restrictions on the legal composition and constitution of the group were also added, namely that Groups of Operators must be composed only of organic farmers as members and cannot be operated by processors/exporters, which are the two elements of the definition that affect the highest number of currently certified producer groups.

3.3.2 Definition of a Group of Operators (Art 36.1)

Whereas the previous EU organic regulations applied only to "operators" (single farms, processors, traders, etc.) and producer groups were certified only under the equivalence scheme for imported products, the new Regulation (EU) 2018/848 applies to individual operators" and Groups of Operators in Europe as well as third countries.

¹⁰ Regulation (EU) 2018/848 Preamble (85)

A Group of Operators is now defined with very specific characteristics in Art 36.1 of the Regulation, and only a producer group that meets all elements of the new definition can be certified as a Group of Operators. If the requirements are not fully met, the only other remaining option for organic certification is individual operator certification.

Regulation (EU) 2018/848 Art 36 (1.): Each Group of Operators shall:

(a) only be composed of members who are farmers or operators that produce algae or aquaculture animals and who, in addition, may be engaged in processing, preparation or placing on the market of food or feed;

(b) only be composed of members

(i) of which the individual certification cost represents more than 2 % of each member's turnover or standard output of organic production **AND** whose annual turnover of organic production is not more than EUR 25 000 or whose standard output of organic production is not more than EUR 15 000 per year; **OR**

(ii) who have each holdings of maximum: five hectares, 0,5 hectares, in the case of greenhouses, or 15 hectares, exclusively in the case of permanent grassland;

(c) be established in a Member State or a third country;

(d) have legal personality;

(e) only be composed of members whose production activities or possible additional activities referred to in point (a) take place **in geographical proximity to each other in the same Member State or in the same third country;**

(f) set up a joint marketing system for the products produced by the group; and

(g) establish a system for internal controls comprising a documented set of control activities and procedures in accordance with which an identified person or body is responsible for verifying compliance with this Regulation of each member of the group. *(+various subpoints in the section on ICS procedures)*

(h) appoint an ICS manager and one or more ICS inspectors who may be a member of the group. *(+ various details in section h on the role of ICS manager & inspectors)*

Reg. (EU) 2021/279 Art 4: Composition and dimension of a Group of Operators

A member of a Group of Operators shall register to only one Group of Operators for a given product, also where the operator is engaged in different activities related to that product.

The maximum size of a Group of Operators shall be 2,000 members.

For producer organisations and exporter-organised groups in third countries, as well as organic experts, the new definition and its far-reaching implications are difficult to understand when reading the regulatory text.

In June 2023, the European Commission clarified several key questions concerning Groups of Operators in its "[Frequently Asked Questions on Organic Production](#)" (Q&A N° 8 to 13 in section 3). The answers (see Annex 2.1) specify in particular that a Group

of Operators cannot have non-organic statutory members or members that do not fulfil all the criteria of Art. 36.1 and provide clarity on the term “legal personality” and on processing activities in a Group of Operators. These clarifications have been considered in the IFOAM Guidance on smallholder group certification according to the new Regulation (IFOAM – Organics International, 2023) and all FiBL training courses on the new rules.

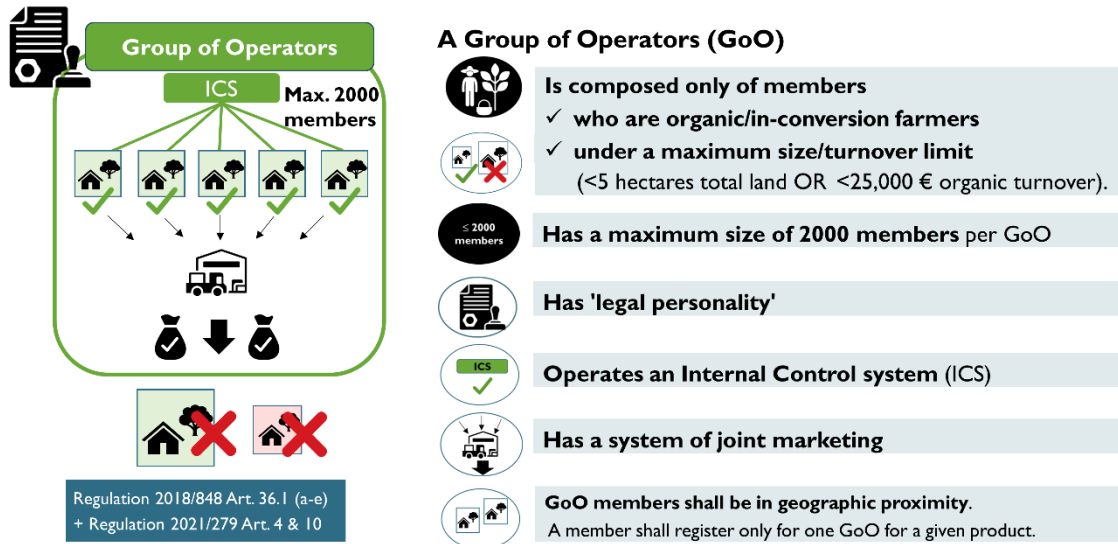


Figure 6: Group of operation definition simplified for training purposes

Source: Own illustration

For further explanation of some elements of the Group of Operator definition (e.g. European Commission FAQ on Groups of Operators, maximum farm size/organic turnover limit), see Annex 2.

In combination, the new rules imply that many currently certified farmer associations cannot be certified as Group of Operators in their current structure and composition. The rules also imply that all processor/trader-organized producer groups, as well as any groups without ICS and instead a 100% control system, cannot be certified as a Group of Operators and need to adapt to continue organic certification for the EU market.

The implications of the new group of operator definition and adaptation options are explained in chapter 4.1 at a global level and discussed by crops and regions in chapters 5 and 6.

3.3.3 New ICS requirements

In addition to the changes to the “Group of Operators” definition, the new Regulation includes legal requirements for ICS systems:

- Art 36.1. (g) details the required documented procedures for the Internal Control System (ICS), and Section 36.1 (h) lists requirements and responsibilities for the ICS manager and ICS inspectors.

- Regulation (EU) 2021/279 Art 5 defines a detailed list of required ICS documents and records.

The ICS rules are completely new as legal requirements but, in essence, are not materially different from requirements as stipulated, e.g. in IFOAM Standards for decades. Producer groups with a very well-organised and robust internal control system will mainly need to update their ICS procedures and records to more specific new ICS and production requirements and train their ICS staff.

Producer groups which have weaknesses in their current ICS and/or lack well-developed procedures or records will need to considerably strengthen their Internal Control Systems to continue to be certified, as ICS weaknesses can lead to de-certification of the Group of Operators (see details in Art 36.2).

3.4 Stricter organic production rules in third countries

The production rules of Regulation 2018/848, which operators and Groups of Operators (including their members) must comply with, can be found in part III of Regulation 2018/848 with Annexes II and III and several secondary acts. Some relevant rules, particularly regarding derogations, are regulated slightly differently in third countries in Regulation 2021/1698. The following aspects are expected to require more significant adaptations for many producer groups and are therefore described briefly here.

Compliance instead of equivalence

Compared to the previous regulation, some rules have become stricter, mainly around derogations and precautionary measures. But more importantly, most producers and groups in third countries will experience the rules as much stricter as they will need to comply with the exact same set of rules as applicable to EU operators in all details and no longer in an “equivalent” way.

The compliance system no longer allows for any adaptations to local conditions or specific circumstances unless specified explicitly by legislation, e.g. in adapted control rules for third-country application. It was found in interviews that the implications of full compliance with all regulatory details cannot yet be fully understood by any stakeholder before the groups’ first audits under compliance. This implies that groups and even expert evaluation of implications may be based on not realising all gaps.

Retroactive recognition of the conversion period

The conditions for retroactively recognising the conversion period before notification of organic activities to the organic control body have become considerably stricter. In many countries, retroactive recognition was a common practice, especially for low-risk crops or low-input production systems. Practices varied considerably, raising concerns about unequal standards and unfair competition between countries and CBs.

For Third countries, the new rules on retroactive recognition are described in Art 24 of Regulation 2021/1698. Operators must submit a request and various documents for each land parcel and documentary proof that the respective parcels have not been treated with unauthorised substances. The control body needs to conduct a detailed risk analysis for each land parcel, carry out sampling in line with the risk analysis, conduct an on-site inspection before cultivation measures have been taken and document the verification in an inspection report.

New rules for plant protection substances

The transition to the ‘compliance’ regime in third countries also has consequences for the use of plant protection products. Firstly, only products and substances explicitly authorised in Regulation 2021/1165 may be used in organic production. This means that certain substances accepted in third countries under the ‘equivalence’ regime cannot be used anymore. In particular, only the specific few plant extracts listed in Annex I (or in the future in Annex VI for use in third countries) may be used in plant protection products. In contrast, local plant extracts traditionally used in the country of production may not be used in plant protection products anymore.

Secondly, plant protection products may only be used if the active substance is approved in the EU, if the product is registered in the member state where it is used and if the conditions of registration are followed. Many substances (e.g. specific microbial strains) used in plant protection in third countries do not meet these criteria. These new requirements will have a particular impact on areas where crops, pests, and agroecological conditions are very different to those in the EU. For any substances for plant protection that are not authorised under Annex I, the Regulation provides a procedure *“to grant specific authorisation for the use of products and substances in certain areas of Third countries”*. If authorised, the substances will be listed in Annex VI of the Regulation, which is currently empty. Three substances have already undergone the evaluation process by the Expert Group for Technical Advice on Organic Production (EGTOP) and are in the pipeline to be added as first products into Annex VI. EGTOP Final Report on Plant Protection (IX)¹¹ analyses the expected problem for many plant extracts and microorganisms used in third countries and proposes amendments to Regulation (EU) 2021/1165.

The problems for third countries described above have been identified and amendments are in progress. As of Sep 2024, it is not yet clear to what extent and how the recommendations of the EGTOP will be considered in the next amendments of Regulation 2021/1165.

However, it is already clear that plant extracts not explicitly mentioned in Annex I or Annex VI will not be allowed in plant protection products anymore. If operators need

¹¹ European Commission (2024): EGTOP reports on organic production can be found on the website of the European Commission. https://agriculture.ec.europa.eu/farming/organic-farming/co-operation-and-expert-advice/egtop-reports_en

to use such plant extracts in plant protection products in the future, dossiers will need to be prepared and submitted for listing in Annex VI. For further details on this topic, see Annex 2.2.3.

Production of the same crop in the organic and non-organic unit

As in previous versions, the EU regulation does not permit the cultivation of the same crop (a variety that cannot be easily differentiated) in the organic and non-organic unit of a holding. As an exception and as part of a defined farm conversion plan, “parallel production” of the same variety can be permitted for perennial crops, provided strict conditions are met.

With Regulation 2018/848, conditions have become stricter, requiring that the last part of the farm is converted within 5 years, i.e. the last plot must start the conversion at the latest after 2 years. All conditions as described in Art 9 (8) apply. Parallel production by members in a Group of Operators is not recommended for risk reasons, but it would be permitted according to the new Regulation, as long as all strict conditions are met.

Crop rotation and diversity

The rules on multi-year crop rotation, including legumes for annual crops or crop diversity and the use of green manure in perennial crops, are slightly stricter than before.

Compliance with the principles of crop rotation and crop diversity can be more challenging in smallholder production systems, as smallholders have small plots of land and often only one or few cash crops in addition to home consumption crops. Organic group certification tends to focus on a single commodity (e.g. cocoa, cotton, sesame), and hence, both the groups and the farmers have the incentive to produce the organic cash crop year after year unless they can also find good markets for rotational crops or intercrops.

Documented precautionary measures

As a new explicit requirement, Art 28 defines the need to identify risks and take measures to avoid the presence of non-authorized products and substances. Prevention of contamination from non-organic members is particularly challenging for many smallholder farmers with small plots of land, non-organic neighbours and lack of control of correct application practices and/or contamination during floods or hurricanes.

The documentation on the implementation of regular precautionary measures will be very important for groups with a higher risk of contamination, as the absence of precautionary measures has a significant impact on sanctions in case of non-conformities, see rules in Art 22 and Annex IV of Regulation (EU) 2021/1698.

Wild collection

Organic wild collection is similar to group certification, but it is certified according to different rules. In Regulation 2018/848, the rules are described in Annex II, Part I Plant Production, Section 2.2 Rules for the collection of wild plants. An important change for wild collection in some third countries is the explicit restriction to plant products under compliance. Currently, the organic collection of honey produced by wild bees in forests is, for example, certified as wild harvest, which will no longer be possible under compliance.

Note: Some wild collection products are produced in large organic volumes by important smallholder countries and are mentioned in the country analysis in Chapter 6. In some countries, collectors are considered (and reported as) organic producers and are organised in cooperatives, e.g. in argan oil or shea butter in Africa, but also medicinal herbs in e.g. the Balkan states.

3.5 New control requirements and procedures

External control of Groups of Operators

The external control of Groups of Operators under the new Regulation is outlined in particular in Art 38 and 35 of Regulation ((EU) 2018/848 as well as the secondary Regulation (EU) 2021/1698 specifically for control in third countries (Art 9-12), Regulation (EU) 2021/279 and Regulation (EU) 2021/771.

Group certification evaluates primarily the ICS's efficiency and compliance with all rules, as it is the ICS's role to ensure compliance of all members with the organic production rules. As part of the group audit, a number of farms are re-inspected by the external inspector and some internal inspections are witnessed. The group audit also includes the inspection of the traceability system.

An important change is the re-inspection rate from the square root-times-risk-factor approach to a minimum percentage of 5% of group members (minimum 10), as the current square root rate was considered "too low" for very large groups. This results in a higher number of re-inspections for groups with more than 400 farmers, with the strongest effects seen for very large groups. Also, at least 2% of members of every Group of Operators are subject to sampling each year.

The new regulation includes detailed control requirements for the external control of Groups of Operators and the groups' traceability systems. There is a new explicit requirement (in Art 36.2) that the control body shall withdraw the certificate for the whole group where deficiencies of the ICS affect the integrity of organic products. The IFOAM Guidance for CBs on external control of Groups of Operators according to Regulation 2018/848 (IFOAM – Organics International, 2023) provides an overview of new control procedures and tips for effective control.

High-risk country/product list

Art 8 of regulation 2021/1698 establishes a list of “high-risk products”, which is yet to be set up. Operators and Groups of Operators of high-risk products (defined as country & product combination) will be subject to inspection twice a year and subject to higher sampling requirements.

This high-risk product list, according to Art 8, will be published in a secondary act, and a first version is being prepared. The assessment of countries/products is done by the European Commission based on OFIS reports on the presence of unauthorised substances. The methodology for the risk categorisation is not public. A draft amendment of Regulation (EU) 2021/1698 proposes amended rules for the sampling regime for high-risk countries. It is expected that the future system will be a continuation of the current system of “additional control measures” by annual letter¹² to recognised third-country control bodies.

Measures in case of suspected/confirmed presence of unauthorised substances

Measures to be taken in the case that the control authority or control body received substantiated information about the presence of unauthorised substances in an organic or in-conversion product are described in Art 29 of Regulation (EU) 2018/848.

Additionally, Art 27 of regulation 2018/848 describes new explicit “Obligations and actions in the event of suspicion of non-compliance” by the operator, and Art 28.2 describes measures to be taken by the operator in case of the presence of unauthorised substances.

A new “Vade Mecum on official investigation in organic products” (Verlet and Neuendorff et al., 2024) provides very helpful overview information on contamination sources and pathways of organic products, detection, and official investigation.

Ifoam Organic Europe’s Paper on the Management of Pesticide Residues in Organic Products also contains information on the principles and procedures to be followed under Regulation (EU) 2018/848 and background information for implementation (Ifoam Organics Europe, 2023).

3.6 Knowledge of the regulatory changes

Capacity building and training courses

The new legal requirements are not easily understood by producer groups, public authorities or even experts. In 2022 and 2023, Ifoam – Organics International started to elaborate guidance for group certification. The first training courses were conducted by Ifoam – Organics International and various organisations (e.g. GIZ, ITC, COLEAD), many supported by programmes funded by the European Union. Some questions

¹² E.g. letter from the European Commission to Bioinspecta 2023: https://www.bioinspecta.ch/docs/transfer/32_2402.pdf

regarding the definition of a Group of Operators were only clarified by the European Commission in June 2023 in the FAQ on Organic Production (European Commission, 2024). In July 2023, the IFOAM guidance on smallholder group certification under the new Organic Regulation was finalised (IFOAM – Organics International (2023). Basic training with information on regulatory changes was provided by most control bodies.

Various FiBL training sessions and courses on the new rules in 2023 and 2024 and the FiBL handbook on the new EU Regulation for producer groups (FiBL, 2023) aimed to provide a simplified overview of the new requirements and relevant regulatory sections to support adaptation to the new rules.

The European Commission's "Better Training for Safe Food" academy training courses on organic production and labelling of organic products ¹³for EU officials provided the most in-depth training on the regulation since 2022, focusing on harmonised implementation in Europe. The training courses are also open to control bodies and competent authorities from selected non-EU members.

There are no official EU training courses or simplified implementation guidelines for organic production in third countries, nor any other readily available and widely accepted resources explaining all applicable new organic rules to stakeholders in third countries, similar to practitioners' guidelines available for European operators in each country.

Organic producers, traders and experts' knowledge of the new rules

In the third country survey, 81% of respondents replied that they received information about the changes from their control body (CB), which often tends to be the only source of information about regulatory changes and organic production rules for groups and operators in third countries. As many as 14% responded that they knew a new regulation was coming but had not received further details.

However, in all interviews and training courses done by FiBL, it became evident that, at best, only some very basic information about the changes had been shared or understood. Some rules are particularly complex to understand or challenging to apply (e.g. Group of Operator's legal personality, group composition and member size, authorised substances, retroactive recognition), but most of all, the rules are still being read in third countries with the mindset of "equivalence". The full implications of compliance with all regulatory rules in various legislative acts are not known or consistently understood even by experts and certification bodies. The first audits are only starting now, and evaluation of all the new rules in practice for each producer group's operation will most likely be heterogeneous at first until the system is fully established and has been calibrated to achieve the intended harmonisation.

¹³BTSF Academy/European Commission: Organic Production and Labelling of Organic Products. The European Commission website; available at <https://better-training-for-safer-food.ec.europa.eu/training/course/index.php?categoryid=54&lang=en>

Cost implications are not definitely known either, as only a few groups have yet received their certification budget for an audit in compliance with the new Regulation, and most groups interviewed or participating in the survey had not yet made a decision on future adaptation measures (e.g. multiple Group of Operator entities) which have cost effects.

Governmental stakeholders and traders in Europe tend to know that there is a regulatory change in import rules by the end of 2024 but are not aware of how fundamental the changes are for organic production in third countries.

3.7 Other key regulatory changes for organic producer groups

Most organic producer groups are also certified according to various other organic regulations, private organic label standards and voluntary sustainability standards as required by different markets, customers and/or national law. Producer's compliance with all production rules is usually managed in the same Internal Control System. Under the new Groups of Operators rules and the EU law compliance approach, multi-standard certification will be more challenging for producer groups than it is already.

Most importantly, many producer groups must also adapt to two other important regulatory changes in 2024: The EU Regulation on Deforestation-free Products and a major update of the US National Organic Program, which includes new rules for "Producer Group Operations".

Update of the USDA National Organic Program

The "Strengthening Organic Enforcement" 2023 update of the US National Organic Program (NOP) strengthened the rules for the production and trade of organic products for the US market. Among other changes, new rules for the certification of "grower group operations" were integrated into the NOP program. The rules have been in effect since March 2024.

The website <https://www.ams.usda.gov/rules-regulations/strengthening-organic-enforcement> provides more information and training materials on the changes. The new legal requirements for grower groups have been integrated into different sections of the NOP standard. The [NOP Strengthening Organic Enforcement "Final rule"](#) document provides the best overview of the new rules with relevant background information (Section III N: Producer Group Operations).

The new grower group operation criteria legalise, clarify and strengthen the existing control for producer group certification. As a result, NOP-certified groups will need to review and adapt their systems, but no changes are required in the legal composition or set-up of currently NOP-certified groups.

All organic coffee, cacao, soy and palm oil small producer organisations are currently focusing on meeting the new requirements of the new EU Regulation on Deforestation-free Products, as this was announced as a pre-requirement for any sales to Europe from 1.1.2025. The required efforts and investments restrict the available resources (staff and financial) of producer organisations to adapt to the new organic regulation simultaneously.

On 2 October 2024, the European Commission announced a proposed delay of the application of the regulation by one year to give supply chains more time to adapt¹⁴.

EU Regulation on Deforestation-free Products (EUDR)

The Regulation (EU) 2023/1115 on Deforestation-free Products shall guarantee that the products EU citizens consume do not contribute to deforestation or forest degradation worldwide. Information on Frequently asked questions, implementation and tools can be found at: https://green-business.ec.europa.eu/deforestation-regulation-implementation_en.

The regulation applies to companies in Europe and does not place direct obligations on overseas operations. However, non-EU producers and exporters of targeted risk products (currently: cacao, coffee, soy, palm oil, cattle, rubber and wood) need to provide comprehensive traceability of information documents and data through to their EU trade partners that demonstrate that the relevant commodities and products are "deforestation-free" and "legal". This includes providing geolocation data of all plots of land where the commodities were produced as well as the date or time range of production for all export consignments to the EU. It also requires the use of complex technical tools or expensive external service providers to check whether producers are in deforestation zones or not. COLEAD/AGRINFO provides a simplified summary of the rules with links to further information for non-EU producers and exporters¹⁵.

4. Discussion of implications of the new Regulation

Given the number and scale of the changes, as detailed above, the study sought to understand the scope and scale of current group certification and the changes required to meet the new rules, as well as provide some meaningful analysis.

4.1 Implications for the new “Group of Operators” rules

4.1.1 Global number and types of groups which need to adapt

To estimate the implications for currently certified producer groups, this study had first to estimate the total number and different types of organic producer groups, which will need to change to comply with Regulation 2018/848 in 2025.

Without detailed data for all currently certified organic producer groups, the study analysed available data for all Fairtrade organic producer organisations in close cooperation with Fairtrade International to better understand the need for adaptation in small producer organisations. There are about 850 Fairtrade organic small producer

¹⁴ European Commission, Presse release of 2 October, 2024: «Commission strengthens support for EU Deforestation Regulation implementation and proposes extra 12 months of phasing-in time, responding to calls by global partners»,

https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5009

¹⁵ AGRINFO (2024): EU Deforestation Regulation (EUDR): The AGRINFO website, <https://agrinfo.eu/book-of-reports/deforestation-free-commodities-and-products/>.

groups representing a total of 530,000 organic farmers that are eligible to export to the EU. This represents approximately 56% of Fairtrade “Small-scale Producer Organisations” (SPO) and small-scale farmer contract production, meaning that more than half of all Fairtrade certified organic small producers are also certified organic.

It is estimated that less than half of all currently certified Fairtrade organic small producer groups can be certified as a Group of Operators in compliance with the new Regulation in their current form. More than half will need to adapt their legal set-up and/or composition to become certified as a Group of Operators for one or multiple reasons, see Figure 7.

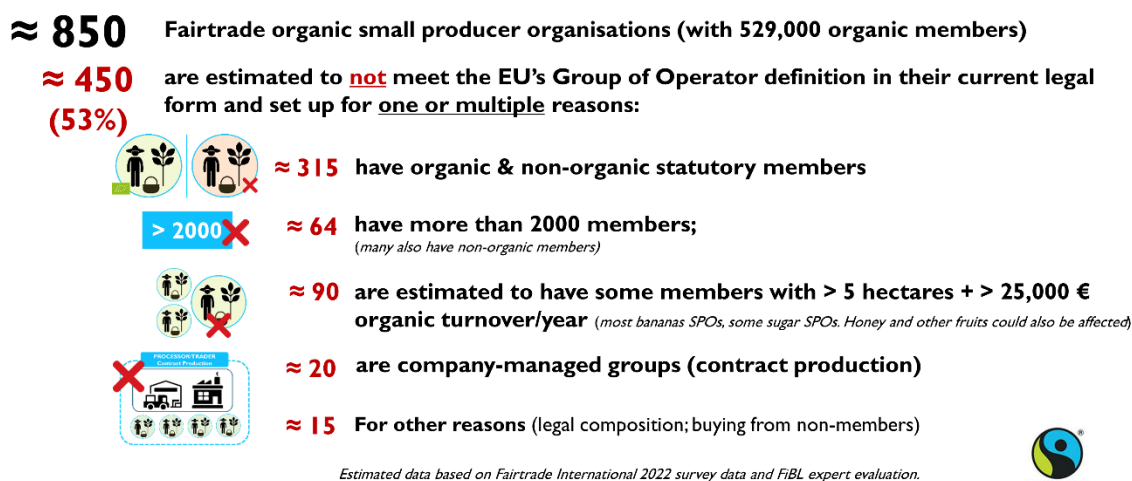


Figure 7: Evaluation of Fairtrade organic small producer organisations against the new Group of Operator definition

Source: Own illustration

The effects vary considerably between products and regions, with the greatest effects expected in coffee and cacao (non-organic members, very large organisations) as well as banana (farm size/organic turnover limit; non-organic members).

Figure 8 provides an overview of the effect of Group of Operator requirements for Fairtrade organic small producer groups per region to illustrate regional differences. For further analysis per product, see Chapter 5 and analysis per region in Chapter 6.

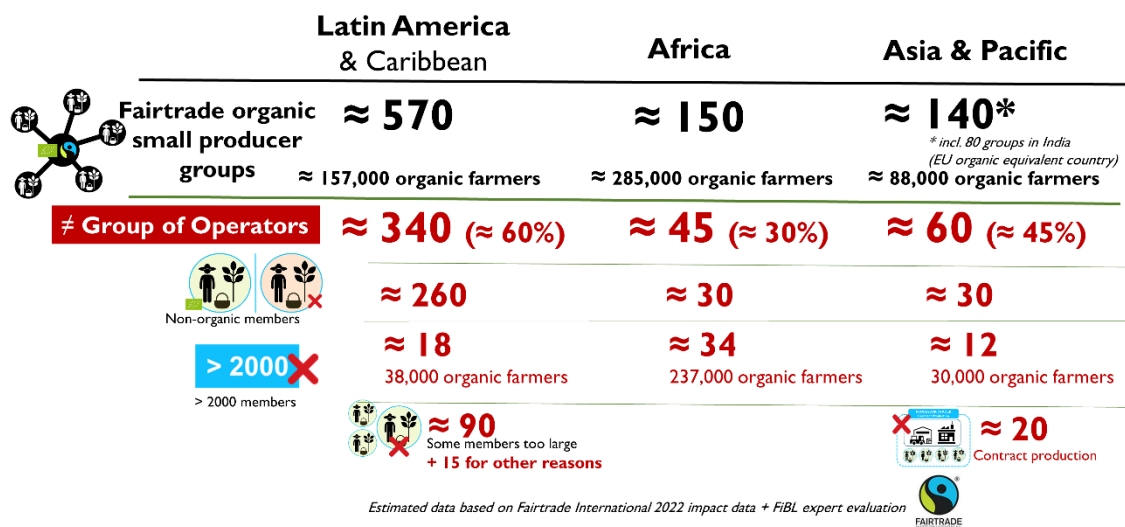


Figure 8: Evaluation of Fairtrade organic small producer groups and effects per region
Source: Own illustration

Beyond Fairtrade-certified organic supply chains, the total number of organic producer groups and how many will need to adapt can only be estimated very roughly, as the exact number and type of currently EU-certified producer groups are not known exactly.

The study identified three basic types of certified organic producer groups that are certified organic under equivalence, with differing implications for adaptation to the new rules (see also types of groups in Annex 1.6). Prevailing group characteristics and adaptation needs vary by region and commodity (see chapters 5 and 6).

Type 1: Farmer Organisations with ICS, such as e.g. farmers cooperatives, farmers associations or farmer federations. Farmers' organisations can be primary organisations of farmers (Type 1a) or federations of organisations of farmers (secondary or tertiary farmer organisations, e.g. a union of primary farmer cooperatives; Type 1b).

Type 2: Processor/exporter-organised groups with ICS. An exporter and/or processing company contracts small farmers for organic production and buys their organic products (Type 2a). The trader usually trains the farmers, operates the ICS and owns the organic certificate. Sometimes, the trader works with one or several existing farmers' associations (with or without legal personality) with a varying degree of commercial autonomy but under the company's organic certificate (Type 2b). This group type is sometimes referred to as "smallholder contract production".

Type 3 Groups without ICS but 100% external control (3a farmer organisation or 3b exporter/processor-organized group with 100% external control): Clusters of farms are certified organic under one certificate for a processor/exporter or as a farmers' association without ICS but with 100% external control of all farms

each year by the organic control body. Common only in some countries and often for a modest number of medium-sized farms.

Extrapolating from Fairtrade data and based on a detailed analysis of crops and smallholder country producer and import data, this study estimates that in total, approximately 1800-2000 organic-certified producer groups currently supply the EU organic market and need to change to comply with Regulation (EU) 2018/848 in 2025¹⁶. The estimation is described in more detail in Annex I. Of these groups, it is estimated that approximately 70% (approx. 1300-1500 groups) will need to adapt their legal and organisational structure to the new Group of Operator definition in addition to meeting all other new rules.

This estimated number of producer groups who need to adapt to become certified as Group of Operators assumes that 50% (500 groups) of all producer organisations (with ICS) need to adapt. Additionally, all processor/trader-organized producer groups with ICS (330-430 groups) as well as 450-550 trader-organized groups—most without ICS and under a 100% external control system- in Turkey and other Mediterranean third countries will need to adapt. More details can be found in Annex 1.6.

Figure 9 summarises the estimated scale of group certification currently certified under the equivalence scheme for third country control bodies (without producer groups in India and other recognised third countries) and the need for adaptation for future compliance with Regulation (EU) 2018/848.



Figure 9: Summary scale of group certification and need for adaptation to the new regulation

Source: Own illustration

¹⁶ The estimate excludes organic groups in India and Tunisia, as producer groups in these recognised equivalent countries do not change to compliance with Regulation (EU) 2018/848 by the end of 2024. See more information in chapter 3.2.

4.1.2 Adaptations for future certification as Group of Operators

As outlined above, hundreds of organic small producer organisations, as well as company-led groups, do not meet the new Group of Operator definition for one or several reasons and will need to adapt to continue organic group certification for the European organic market.

There is no “universal adaptation solution”. Suitable legal personalities and setup vary between countries, organisational structures and products. It is recommended that organisations carefully evaluate their options for adaptation. New ideas for implementation will continue to emerge, and all adaptation plans should always be discussed with the organic CB before implementation.

An additional complication in the adaption process is that also the US organic program (USDA NOP) has integrated new rules on certification of grower group operations into the updated NOP program (see info-box in chapter 3.7). The new rules are not likely to require legal adaptations in the setup or composition of currently NOP-certified producer groups. However, some new rules have additional certification implications for re-organisation according to the Group of Operator rules since many groups are certified according to both standards.

Adaption options for farmers’ organisations with ICS (group type I)

As a general recommendation for all farmers associations, but in particular, for Fairtrade organic certified small producer organisations, it seems advisable to not split the organisation or exclude members unless this seems the only viable option for the organisation after analysis

If the producer organisation removed non-organic or “too large members” from the organisation, and/or split off all organic farmers into a new group, and/or split into several organisations to be under 2000 members, this could jeopardise and/or complicate the Fairtrade certification and may also complicate all other certifications. Also, splitting of the producer organisation or exclusion of members risks being rejected by farmers and/or may create new governance or business risks and reduce the organisation’s commercial flexibility (as a Group of Operators cannot buy from non-members, e.g. “too big” members which will need to be individually certified in the future).

Instead, it is recommended that the currently certified organic small producer organisation should keep its legal form and membership unchanged and set up one or several new legal personalities for the purpose of EU organic certification as a “Group of Operators”. The currently certified organisation can still provide ICS services and the traceability / joint marketing system or other services to the new “group of operator entity” based on subcontracting and other agreements. An adaption example of a Fairtrade organic farmer cooperative in Thailand is illustrated in Figure 10.

Example Greenet Cooperative: 600 farmers (coconut, rice, cashew);



- 5 farms are too large, founding members (cannot be excluded)
→ farms will be individually certified, and the Cooperative pays 50% of costs.
- Will set up a new “community enterprise” entity in 2024 for all small & organic farmers as one national Group of Operators.
- Greenet Cooperative = “operator” for EU; remains Fairtrade small producer organisation

Figure 10: Adaptation example farmer cooperative in Thailand

Source: Own illustration

In the case of a second or third-level farmers’ organisation (e.g. a federation of cooperatives), the solution could be to certify the primary organisation(s) as a Group of Operators and the federation only as an operator for processing and export in the future but only if the primary organisations have only organic (or conversion) members and less than 2000.

In some cases, e.g., where a cooperative has very few “too big” or non-organic members, excluding ineligible members and /or splitting of farms to be under 5 ha may be an alternative adaptation to the new Group of Operators rules. In this case, a key challenge is that if the cooperative is certified as a Group of Operators, it can only process and market products from its members, i.e. it could not buy and export organic products from the excluded former members, even if these members were individually certified organic farms.

Some small farmer groups who cannot be certified as a Group of Operators may also choose to associate their fields and operations to become one larger organic farming operator (with legal personality) that can be certified as one operator.

For guidance on the adaption of Fairtrade and Organic Small Producer Organisations to the new group of Operator requirements, Fairtrade International has published a technical guidance document¹⁷, which outlines options and their effect on Fairtrade certification. Additional information on adaptation options for different types of producer organisations is also given in Annex 2.

Adaption for processor/exporter organised groups with ICS (group type 2)

All processor/exporter organised/certified smallholder supply chains will need to adapt to continue group certification for the EU organic market unless they are already

¹⁷ Fairtrade International (2024) EU Organic Regulation 2018/848 - Adaptation options for Fairtrade organic certified POs, The Fairtrade website, <https://www.fairtrade.net/standard/eu-organic-regulation-2018-848-adaptation-options-for-organic-fairtrade-certified-pos>

working with independently certified producer organisations. Only a legal entity composed exclusively of organic/in-conversion smallholders can be certified as a Group of Operators, and the processor/exporter can only be certified as an 'operator'. In most cases, this requires an overhaul of the established commercial and organisational setup in many smallholder value chains, with potentially significant commercial implications and new risks that must be carefully managed.

The following two examples of adaptation illustrate two different approaches taken by companies, also depending on whether or not they are already working with existing farmer organisations with varying degrees of commercial responsibility.

Adaption example of organic dried fruit and cashew exporter in West Africa with about 4000 farmers under the company's certificate.

- Future certification of farmers in six cooperatives as Groups of Operators: two existing cooperatives, three newly created, and one not yet clear. The organic certificate of the cooperatives will be owned by the cooperatives. The cost is paid by the trader but charged to the cooperatives.
- The trader will continue to administer ICS (cooperatives appoint ICS manager and ICS inspectors of the trader; similar ICS manual for each coop). Commercial agreements between traders, cooperatives and other units (dryers); close supervision.
- Direct contact between trader and producers through training courses, extra premium payments and special projects.
- Future control of small-scale subcontracted processing units (resulting potentially in additional significantly higher annual costs) is being evaluated.

Adaption example of a coconut oil mill in Southeast Asia; 1000 organic farmers under one certificate (EU & NOP)

- Only 100 farmers were selected for EU certification under a new Group of Operators (GoO) entity.
- A "guarantee company" will be created as GoO for these selected EU farmers. This is a local form of non-profit company in which farmers can be members. Very close link between the new entity and the coconut mill.
- The coconut mill will provide the ICS, but the services will be charged to the new GoO.
- The mill will buy the products from the GoO unit.

The new rule that only farmer organisations can be certified as Groups of Operators and shall have their own organic certificate could strengthen farmers' bargaining power and independence. As the new groups will have their own organic certificate, they can and are likely to sell to different buyers.

Due to the abrupt change and the fact that the process is driven by market requirements rather than by the farmers or trading partners, adaptation will involve significant

commercial risks and challenges to supply continuity for companies involved in organic exports. In some cases, farmers may be interested in taking on more responsibility and becoming more independent. In other cases, they may not have the will or the financial and managerial capacity to act as an independent producer organisation and take on the (increasing) commercial risk of trading.

In many cases, these circumstances mean that the processing/exporting company will continue to provide ICS services and organic training to farmers in the new Group of Operators and will continue to manage the traceability system based on new commercial and subcontracting arrangements that will take time to negotiate and set up legally. In many cases, the exporting company may also need to provide pre-financing for organic certification. However, the company faces significant risks that the new groups will not end up selling all the required volumes to the company and may still need to pay farmers directly to ensure that the money paid reaches the farmer. The changed processes and structures will be new for 2025 and not yet commercially tested.

Adaptation for groups with 100% external control without ICS (group type 3)

This form of group certification is not possible any more under compliance. All groups need to change to either individual farm certification of each farm (as operators) or adapt to meet all requirements for a Group of Operators and be controlled as a Group of Operators for future compliance with regulation (EU) 2018/848. Depending on their current composition or setup, the latter will imply organisational adaptation as described above for farmers' organisations (type 1) or processor/exporter organised groups (type 2).

Opportunities of adapting to the new group of operator rules

For those small producer organisations that meet the new Group of Operators, the new rules provide an opportunity as they have the competitive advantage of not requiring complex legal/organisational adaptations.

For all other groups, the restructuring also affords an opportunity for risk mitigation by certifying in the future several smaller and legally separate entities instead of one. This is particularly important considering the increased business risks for organic producer organisations (residues, de-certification of whole group due to weak ICS, etc.).

Having multiple organic legal entities allows (potentially) to certify some entities with one organic CB and others with another - but only if the new entities are not too complexly intertwined by subcontracting and other agreements.

4.2 Implications of compliance with new EU production rules

Data & results

Data from both the survey and interviews with producer groups indicated that overall, the new production rules are not seen as a major challenge. Adapting to changes in

production rules is a process to which producer organisations are accustomed, and some challenges affect only some of the farmers in the group and not all of them.

However, other stakeholders, which included all control bodies and audit staff in the survey were more concerned about the change of the production rules. In interviews with producer organisations and certification experts, it was found that many new rules are not entirely clear or are misunderstood. Overall, control bodies and certification experts initially expect a much higher number of major and critical non-compliances with the new production rules once the compliance scheme is implemented in third countries.

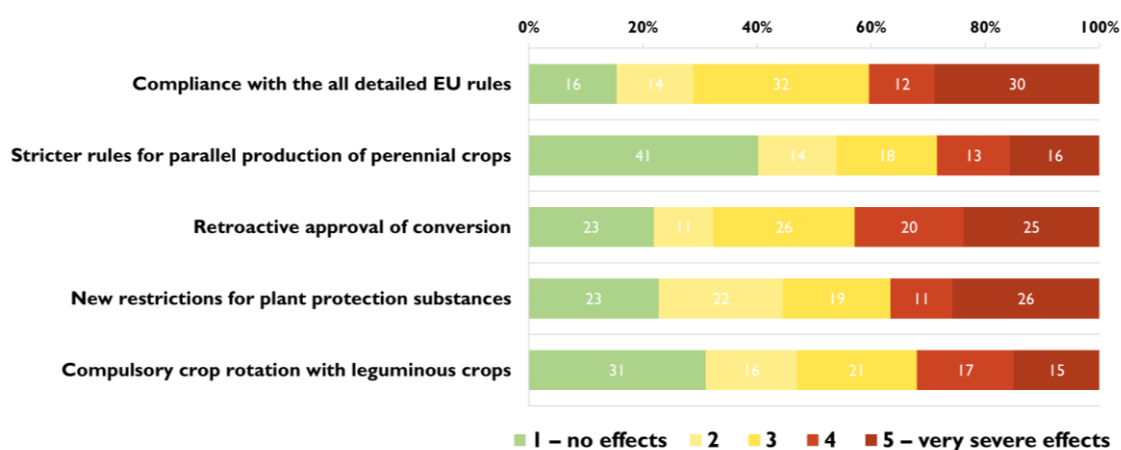


Figure 11: Third country survey results: expected implications of stricter production rules
Source: Own illustration

There is also a growing concern about the impact of the new restrictions on authorised substances and products in third countries, particularly for plant protection (see Chapter 3.3 and Annex 2). While it is not yet clear to what extent the next amendments to Regulation 2021/1165 (the list of authorised substances) will take into account the adaptations proposed by the EGTOP committee, it is already clear that many locally-used plant extracts cannot be used in plant protection products anymore under the current rules. In the April 2024 TOS Article “Compliance rather than equivalence” on the topic, COLEAD highlights that it is essential for all interested parties to coordinate and streamline the dossier submission process for listing additional substances in Regulation (EU) 2021/1165 Annex VI for use in third countries, given the extended duration between submission and amendment of the regulation. COLEAD is working collaboratively to secure further Annex VI listings (Lehmann, April 2024).

The new measures required in case of detection of unauthorised substances by the operator and/or the control body (Art 27, 28 and 29 of the Regulation, see chapter 3.4) have already started to have implications for producer groups, as the new rules have been applied in the EU since 2022. In interviews, both in third countries and the EU, measures in the case of residue findings featured very prominently as a key challenge. Interestingly, in the third country survey, only 19% of respondents reported losses or

serious problems. In contrast, more than 60% of European survey respondents indicated that the measures had caused considerable or severe challenges and losses.

Analysis & recommendations

The legal requirements for organic production in third countries are very difficult to read in the new Regulation. This is partly because the production rules are not only in the consolidated version of Regulation 2018/848 but also in several secondary acts. Some control-related aspects, especially around derogations (seeds and planting material, retroactive approval of conversion), are regulated in a slightly adapted way for third countries, with more responsibility delegated to control bodies in regulation 2021/1698. There is no “consolidated” easy-to-read version of legal requirements for organic production for third country operators, nor are there official handbooks or guidelines for operators accepted by all control bodies, similar to the resources available to European producers and processors. A learning process for all organic stakeholders is therefore needed in third countries to start reading and applying the regulatory texts in a word-by-word legal compliance “mindset”.

Additionally, the implications of the stricter compliance rules for retroactive recognition of conversion are about to be noticed now by organic operators, groups and experts. The stricter procedures and handling mean that there will be less flexibility to increase supply in case demand increases and increase the bar for any new groups starting with organic certification. On the other hand, having consistent and clear rules on this matter was also mentioned as an opportunity in several interviews.

4.3 Cost and business implications for groups

Data & results

The survey was clear that implementing the new Regulation will most likely affect costs. These include the costs of the initial adaptation, certification, and costs associated with organisational changes.

The costs for initial adaptation were estimated to be under € 5000 by one third of survey respondents and more than € 10,000 also by a third.

Regarding certification costs, all interviewees, both in third countries and in Europe, confirmed that they expected increased costs. In the survey for third country groups and operators, 12% of the respondents expected cost increases below 10%, while 43% expected cost increases between 50% to 200% or more (see Figure 12).

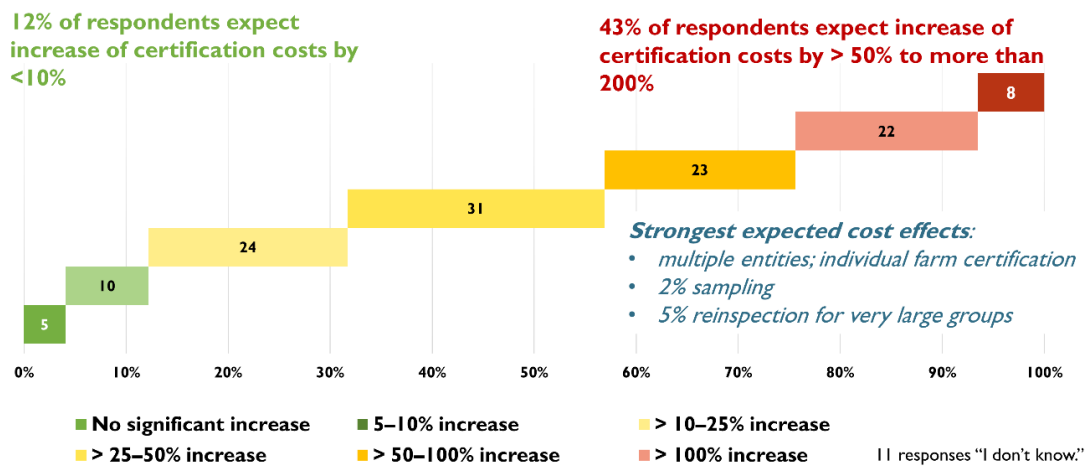


Figure 12: Third country survey results: Expected certification cost implications

Source: Own illustration

The costs incurred by necessary organisational changes to comply with the new Regulation were also evaluated in the survey for third country operators and groups. These include the annual recurring internal costs to maintain organic certification, in particular the costs of operating the Internal Control System (ICS), as well as administrative costs for several legal entities and costs for own sampling and residue testing.

The survey responses with regard to expected effects on annual internal costs to maintain organic certification (in addition to costs charged by the control body) are shown in Figure 13.

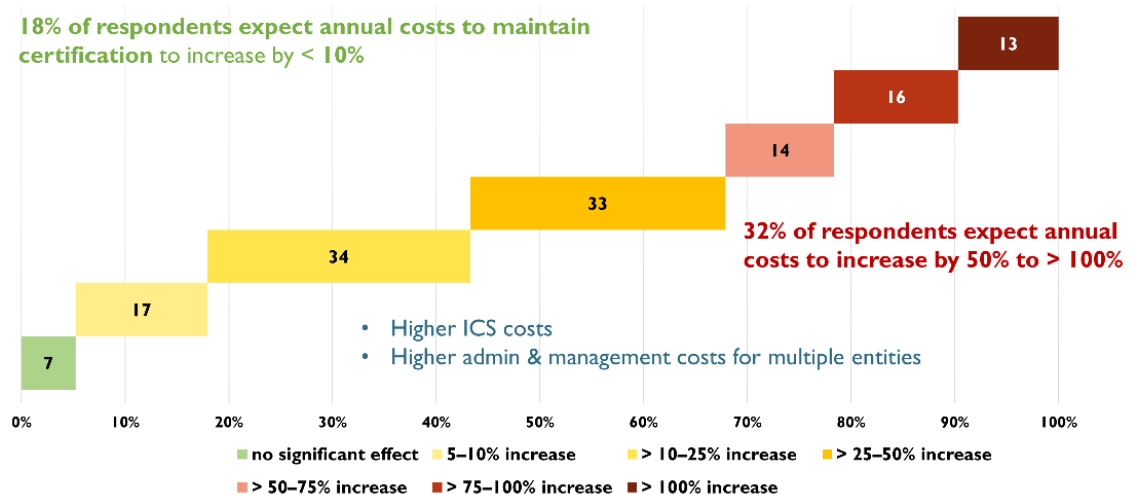


Figure 13: Third country survey results: Effects on annual costs to maintain certification

Source: Own illustration

These cost effects are expected to vary considerably from one group to another, depending on their current setup, cost structure and the required changes.

Analysis

The survey results provide interesting first insights. For example, almost nobody really knows the future costs of certification and compliance because, as of August 2024, almost no producer groups have yet received a certification budget according to compliance, and sampling costs may still be charged on top.

In interviews with control bodies, it was found that most expect the requirement to take samples of 2% will have more significant annual cost implications for many groups than the new 5% re-inspection rate. Cost increases will be higher for larger groups (with more than 1000 members) than for smaller groups. Another very relevant cost factor is the future number of certified legal entities and how many producers need to change to individual certification.

Additionally, most groups are unfamiliar with the new rules, nor do they have such a clear adaptation plan in place that they can estimate the changes needed and related financial implications.

However, for some products and individual case studies, there is more relevant data available. For example, a recent study by the International Cacao Organisation estimates an overall 20-30% increase in certification costs and an increase of the total costs for complying with the regulation of 10% to 50% (TERO/BASIC, 2024).

In individual cases, total costs for complying with the new Regulation can easily increase by more than 100% or even by multiple factors in some cases (e.g. double, triple, or more). This is the case for very large groups with many thousands of farmers, for groups with members that need to change to individual certification. Costs can also increase significantly, where many smaller legal entities must be certified instead of one. For example, a union of farmers' cooperatives is currently certified as a group. Still, in the future, all the farmers' cooperatives will be certified as a group of operators, and the union will also be certified as a processor and exporter "operator" of the cooperatives' products.

Two examples of known certification costs under the new Regulation illustrate potential cost effects and cost-relevant factors but also demonstrate the major variations in current costs as well as cost implications:

Certification Cost Example 1: Processor/exporter in Africa (cacao, pineapple, soy) with 7400 organic farmers; some farmers organised in associations, some contracted directly

- Certification cost 2023 (old regulation): € 18,000 (under company certificate, audited in two "sub-projects").
- Certification cost 2024 (some farmers are now certified in separate associations in preparation for the new regulation): € 38,000 plus expected costs of € 20,000 for additional audits and certificates of inspection (COI).
- Certification cost expectation for 2025 (all farmers certified in separate associations): € 50,000-55,000 (+ similar expected costs for COIs and additional audits)
→ ≈ € 10/farmer external certification cost + cost of ICS.

Certification Cost Example 2: Cacao Cooperative Union (2nd degree farmers association) in Latin America with about 800 organic cacao farmers

- The union has decided in long consultations that the primary farmer organisations will be certified as a Group of Operators.
- The current annual cost of external organic certification is about € 36/member or around € 32,000 for all 800 farmers (without costs for COIs or additional audits).
- Quotes for certification of all organic producers in their primary associations under regulation 2018/848: € 82,000 ≈ € 105/member on average, varying from € 64 to € 200 according to number of members of the primary organisation. Expected ICS costs are about the same as external certification costs.
- Fixed costs for being certified would be ≈ € 2105/member. Each member's organic turnover must be < € 25,000/year → the costs of compliance are at least 8% of the organic turnover, likely more (many farmers' organic turnover is under € 25,000).
- As a result, the number of certified organisations and the number of certified farmers will be reduced, with probably only 12 of the 17 organic primary organisations continuing.

In another example from Thailand for a producer organisation of 600 farmers, no details were provided, but the cost increase expected by the local expert was around 10%.

4.4 Overall combined implications of new requirements

Data & Results

Overall, combined effects and implications for producer groups once the new rules are implemented and enforced are very hard to predict. In the third country survey, mostly answered in December 2023 and January 2024, 18% of respondents indicated that they will or are considering either stopping or reducing certification. As many as 82% plan to adapt, but more than 60% will face considerable challenges (see Figure 14).

Overall effects are very hard to predict. In the third country survey, 18% of respondents indicated that they may stop or reduce certification. 82% plan to adapt, but more than 60% face considerable challenges.

Third country survey results: Overall effects of the new rules

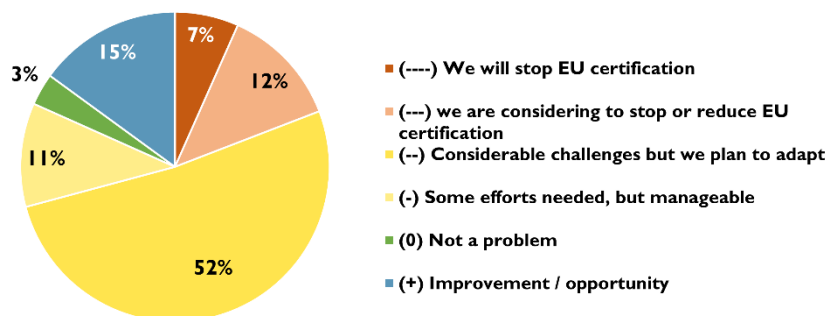


Figure 14: Third country survey: Overall combined effect of the new rules

Source: Own illustration

In the case of the Ecuador study (in a combination of a national survey of groups and interviews with producer groups in November 2023), it was found that 25% plan to or

are considering stopping EU organic certification. Meanwhile, 75% planned to adapt, and of those, half expected considerable challenges.

Many planning to adapt do not yet have a clear implementation schedule or have completed adaptation (as of September 24). Additionally, it is not yet clear how many farmers and/or subgroups of farmers will continue with certification. Some may not understand all the needs for adaptation.

According to interview results, the overall implications are likely to lead to a re-evaluation of each group's business case for continuing with organic certification. Many groups are expected to reassess the number of farmers they include in EU organic certification. Some groups appear to be planning to reduce the number of farmers to exclude "high-risk" members, those considered potentially "too large," or those supplying too little volume to justify the increased internal and external certification costs per farmer. Others are reducing the total number of certified farmers to lower overall certification costs or to keep rising certification expenses manageable. This is particularly relevant for larger groups, which face significantly higher costs per farmer with the shift from a square root re-inspection rate to a 5% rate. Additionally, some groups aim to reduce the complexity and risks involved in adapting to the new Group of Operator rules by certifying only the best-performing farmer clusters as future groups of operators.

Many interviewees expressed concern that, given the minimal economic benefits for many farmers already under the current system and the much greater future restrictions and complexities, many individual farmers may opt out of organic certification despite their producer organisation's efforts to adapt. In particular, only a few farmers who need to change to individual certification due to the new farm/turnover restrictions rules seem willing to do so. The number of farmers who will continue with organic certification in the next 1-2 years is, therefore, very difficult to predict at present. This also makes it difficult for certification bodies to budget and plan for compliance audits.

Analysis

On the positive side, it seems clear that the new regulation considerably strengthens the control of producer groups in the medium term, both the internal control and the control by the external certification body. Most producer groups must strengthen their Internal Control Systems to meet the new requirements.

Conversely, the combined set of new rules will be challenging to comply with even for well-organized and experienced producer groups due to the conditions under which they operate (no subsidies, lack of organic institutions and technical support, capacity of staff, poor infrastructure, farmer illiteracy, language constraints etc.). For those producer groups that cannot be certified as a Group of Operators as they are, the legal and commercial re-organisation is the most fundamental and urgent initial change required, as the new legal entities need to be clear to apply for certification under 2018/848.

As costs of EU organic certification are expected to increase more proportionally to the number of members, many producer organisations are reporting to reduce in the number of farmers under EU certification.

Most producers are not yet fully aware of all requirements or understand the resulting implications for their operations. The re-organisation of supply chains will initially add new complexities and may create confusion during the first inspections according to the new regulation, which, in the case of almost all producer groups, will start only in 2025. It is therefore expected that, in 2025 and 2026, many producer groups will be faced with a long list of non-compliances and more severe sanctions.

5. Analysis of implications for key smallholder products

5.1 Key smallholder products for this study

This study aimed to identify “key organic smallholder products,” i.e. products imported into Europe which originate predominantly or to a significant percentage of import volume from small-scale producers under group certification.

Global organic production and trade statistics do not allow differentiation between organic production on individual farms and small farmers under group certification. To estimate key smallholder crops and to what extent EU organic imports of these products originate from smallholder value chains, this study analysed FiBL’s and national authorities’ organic producer and production data to identify

- key smallholder countries (see also chapter 6) and crops,
- Fairtrade organic data (see information in chapter 2.2),
- EU organic import data in TRACES (2022 data) and
- Swiss import data (2023). This was complemented by expert information or other sources where available.

The detailed crop-by-crop and countrywide analysis resulted in a categorisation of key smallholder crops, which are estimated to originate predominantly or to a significant extent from small-scale producers under group certification, as already shown in Figure 1.

A table with smallholder products, in addition to those described in this chapter, can be found in Annex 3.1. The estimation of the percentage of EU import volumes originating from producer groups is summarised in Annex 3.3. The mentioned types of producer groups are explained and briefly characterised in chapter 4.1.1. and Annex 1.6.

5.2 Coffee

Figure 16 summarises organic coffee imports, the expected need for adaptation for future compliance and key challenges and opportunities.

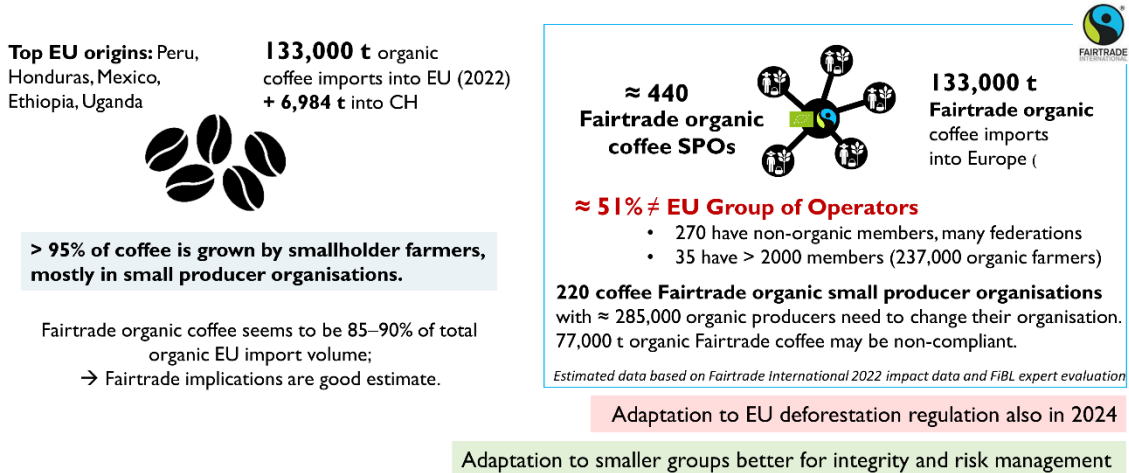


Figure 15: Organic coffee: overview and implications

Source: Own illustration

Top organic producer countries and export volumes to the EU

Organic coffee is the most important smallholder crop in many countries, particularly in Latin America and Africa. Organic coffee production provides a sustainable livelihood to several hundreds of thousands of organic farmers worldwide.

EU organic imports (TRACES data 2022) of coffee amounted to 133,422 t (European Commission, 2023). According to the latest EU organic import data, organic coffee imports decreased slightly to 131,910 t in 2023 (European Commission, 2024)

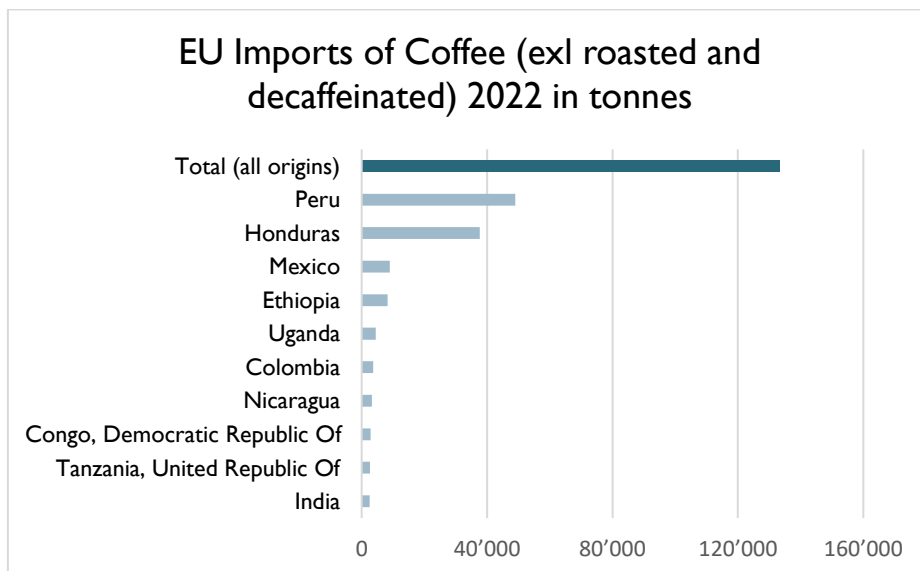


Figure 16: Organic coffee imports into the EU, top 10 origins

Source: TRACES 2022 data (European Commission 2023)

Organic coffee is predominantly cultivated by smallholder farmers' organisations under group certification. This includes primary farmer organisations, such as cooperatives,

and secondary or tertiary organisations, like federations or unions of organisations. Globally, 95% of coffee is produced by smallholder farms of less than 5 hectares (Bermudez and Voora, 2022).

Group of Operator analysis for Fairtrade organic coffee

The analysis of Fairtrade International data for 440 Fairtrade organic coffee Small Producer Organizations (SPOs) provides valuable insights on the level of change needed to align organic coffee organisations to the EU regulation's new rules for Group of Operators due to the lack of relevant data for organic producer groups.

Of the 440 Fairtrade organic Small Producer Organisations with 365,000 organic members in total, half (51%) are estimated to not meet the group of operator definition in their current form. 210 organisations have to adapt as they also have non-organic members. 35 groups with a total of 285,000 organic farmers have to adapt because they have more than 2000 members. The \approx 220 coffee organisations which need to change their organisational structure represent \approx 85% of all Fairtrade organic coffee farmers.

Group of Operator implications for total organic coffee imports (beyond Fairtrade)

In the case of coffee, there seems to be very little exporter-organized contract production, and less than 5% of global volumes originate from plantations (which is not permitted for Fairtrade coffee production). Fairtrade organic imports into Europe (including Switzerland and the UK) amount to almost the same total (133,000 t) as total organic coffee imports into the EU (133,422 t). An additional volume of 6,984 t was imported into Switzerland. Estimated organic imports based on the UK's share of total European coffee imports (4.1% according to CBI, 2024) would be about 6000 t.

Therefore, Fairtrade organic volumes seem to represent about 90% of organic coffee imports into Europe, while the remaining 10% would include all organic coffee plantations. The Fairtrade analysis of implications, therefore, probably provides a good overall estimate for organic coffee imports into the EU and Switzerland.

Status of adaptation and overall implications of new rules in coffee

As the new 2000-member limit is well known, many of the affected very large groups seem to have started to work on adaptation options, but not all. Especially in Africa, according to information from CBs, many groups have not yet started to adapt.

Many coffee organisations affected by the new maximum group dimension are unions or federations of farmers' associations (secondary or tertiary farmer organisations, see Chapter 4.1.1). In easy cases, the organic primary organisations can be certified as Groups of Operators and the Union as an operator for preparation and export. In practical and organisational terms, the adaptation is a considerable challenge, and in the cases known to FiBL, it took many months to more than a year and was achieved only

with strong external support. For the largest groups annual certification costs are likely to increase by multiple factors.

The expected higher internal and external costs of organic certification (see Chapter 4.4) and the efforts to strengthen the ICS appear to be very challenging for many coffee organisations, especially if they have low organic sales. Thus, while adapting to the maximum group size rule will likely improve the quality of the ICS in the long term, there is a significant risk that organic producer organisations will stop or lose EU certification or reduce the number of organic farms unless they are strongly supported to adapt.

With regard to the new organic production rules, the stricter rules for retrospective recognition of conversion are likely to reduce the flexibility to increase the number of farmers or the area and will affect the viability of conversion to organic for new groups/farmers. Restrictions on pesticides are not expected to have a major impact on coffee.

Another key challenge for all coffee producer organisations is to adapt to the new EU Regulation on Deforestation-free Products (see also chapter 3.6). As a side effect of this regulation, expected to come into force in 2025, organic coffee stocks in Europe are currently well-filled. This means that any supply chain disruptions or price increases will not be immediately felt by European traders but will impact producer organisations. These organisations will need to invest in organic compliance in 2024 and 2025, yet may see low organic sales to Europe in 2025.

5.3 Cacao

Figure 17 summarises organic cocoa imports, the need for adaptation for future compliance and key challenges and opportunities for Fairtrade organic small producer organisations and other organic producer groups.

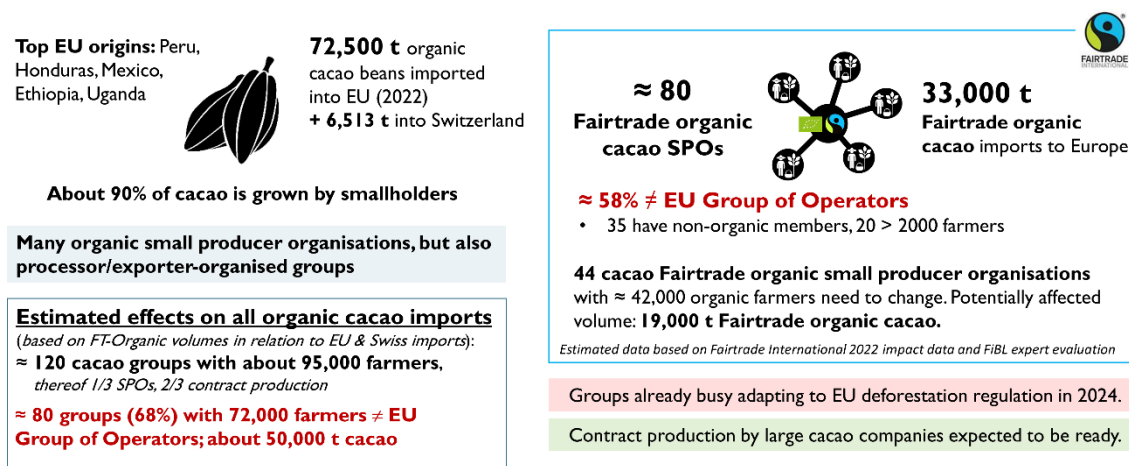


Figure 17: Organic cocoa: Overview and implications

Source: Own illustration

Top organic producer countries & import volumes into the EU

In 2022, organic cacao occupied 515,214 ha, amounting to 4.4% of the total cacao farmland worldwide (Willer et al., 2024). EU organic imports of cacao beans amounted to 72,573 t in 2022. In 2023, organic imports decreased to 56,022 t. The top origins are Sierra Leone, Peru and Ecuador (2022). Europe is the key market for organic cacao, which is exported from there to other markets.

Analysis of expected implications (cacao)

The analysis of data for Fairtrade organic cacao small producer organisations provides insights into organic cacao. Almost 60% of all Fairtrade organic cacao Small Producer Organizations (45 groups) do not seem to meet the criteria of a Group of Operators. The affected producer organisations have about 42,000 organic members in total. This means that 68% of all organic cacao farmers in Fairtrade organic groups need to re-organise before the end of 2024 to continue group certification for the EU market.

Effects of Group of Operator rules for organic cacao imports (beyond Fairtrade)

Fairtrade organic imports into Europe (incl. Switzerland and the UK) of about 33,000 t in 2022 amounted to about 47% of EU and Swiss cacao imports from smallholder origin (about 90% of total EU & Swiss organic imports). The actual percentage will be slightly lower as UK organic import volumes are unknown.

For the remaining >50% of volume, estimating impacts is difficult due to a global lack of data on the number and types of groups and producers in groups. In cacao, there are a significant number of cacao farms under contract production organised by major European chocolate processors, involving tens of thousands of farmers.

As a rough estimate, we extrapolated Fairtrade organic volumes in relation to total EU and Swiss organic smallholder imports. We assume that 2/3 of these organic (non-Fairtrade) groups and farmers are in contract production, and 1/3 are producer organisations similar to Fairtrade organic SPOs.

Based on these rough assumptions, approximately 68-75% of EU and Swiss organic cacao imports (48,000 t - 53,000 t) would come from producer groups that need to adapt in 2024 in order to be certified as a Group of Operators from 2025.

Discussion status of adaptation and overall implications in cacao

Based on learnings from interviews, organic cacao production by small producer organisations faces very similar challenges and adaptation options as described for coffee. Cacao production similarly needs to adapt to the new requirements of the Regulation on Deforestation-free Products.

Additionally, cacao world market prices have been at record high levels recently, which would seem to benefit organic cacao farmers. However, high prices for cacao have meant, in practice, that cooperatives often couldn't afford to buy the product from their

members at prices offered by local traders and, as a result, could not fulfil the contracts with their buyers. Some interviews highlighted the potential risk for claims due to unfulfilled contracts, which may lead to the bankruptcy of many cacao cooperatives, making this a very difficult moment to invest in adaptation to new organic rules. According to interviews with cacao organisations and commodity experts, it seems common practice that no extra organic premium is paid if market prices are very high, such as during the current cacao season. This affects the producer's interest and motivation to continue with organic certification under yet stricter future conditions.

In the case of the significant volumes from smallholders under contract production for larger cacao trading companies in Europe, no details are known, but adaptation is assumed to be in progress or even complete. The world's top cocoa companies' main focus seems to have been on meeting the new requirements of the EU Regulation on Deforestation-free Products (see information in chapter 3.6), but not the new organic rules, according to several expert and trader interviews.

Many cacao farmers in groups manage more than 5 ha of agricultural land. Based on average cacao farmgate prices in the past years, most of these cacao farmers are, however, far below the € 25,000 organic turnover. Even with the current high cacao prices, it seemed rather unlikely that many organic cacao farmers would effectively exceed this turnover limit. However, according to recent information received in the summer of 2024, some farmers in Latin America, who have been well under the € 25,000 turnover limit for many years, seem to have had organic sales beyond the limit. With increasingly fluctuating food prices, as well as inflation and exchange rate fluctuations, it may become very hard to manage organic turnover limits and member eligibility in cacao organisations based on one-year turnover data.

The recent International Cacao Organisation's "Cost & Benefit Analysis of the New EU and US Regulatory Changes for Organic Production"¹⁸ indicated that for cacao groups with rather low compliance costs and high organic sales, an increase in compliance costs of, for example, 10-20% would still be bearable. The study points out that costs for certification should be considered in relation to organic sales, as many organisations manage to sell only part of their organic production as organic. The study estimates that total costs for being certified organic (internal management, organic certification and other costs, e.g. sampling) of up to € 200 per tonne of cacao marketed as organic are commercially bearable in the long run. It points out that for a number of organisations studied, the expected compliance costs in relation to organic sales were considerably higher (up to € 1000 per tonne of cacao marketed as organic). (TERO/BASIC, 2024)

Beyond costs, several other elements were identified that can make organic certification impossible (or too hard) to maintain, even if the cost increase can be covered. For mixed farmers' organisations, the study finds that the required organisation changes may be

¹⁸ TERO/BASIC Cost & Benefit Analysis of the New EU and US Regulatory Changes for Organic Production. Available in English, French and Spanish. on the ICCO website, <https://www.icco.org/icco-documentation/#publications>

too daunting, i.e. too complex, with economic and certainly unforeseen consequences, such as tax implications by creating financial transactions. (TERO/BASIC 2024).

5.4 Banana

Figure 19 summarises organic banana imports, the scale of smallholder group production in bananas and the expected implications for future compliance.

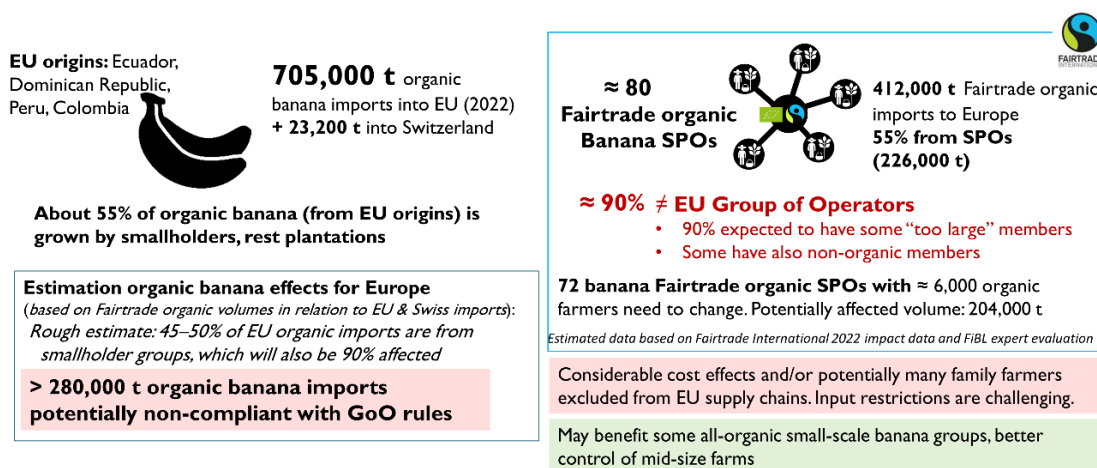


Figure 18: Organic banana: Overview and implications

Source: Own illustration

Top countries & organic volumes

In 2022, the EU imported 705,000 t of organic bananas (European Commission, 2023). In 2023, organic fresh banana imports decreased slightly to 697,341 t (European Commission 2024). The organic bananas originated from Ecuador (330,729 t), Dominican Republic (171,499 t), Peru (78,414 t) and Columbia 65,073 t).

Switzerland imported an additional 23,222 t of organic bananas (2023).

Group of operator effects for Fairtrade organic banana SPOs

Globally, 40% of Fairtrade banana volumes are produced by Small-scale Producer Organisations (SPOs), with the remaining 60% produced by Hired Labour Organisations (plantations) with workers benefitting from Fairtrade. For the main EU organic banana suppliers – Ecuador, the Dominican Republic and Peru – which together account for 87% of EU organic banana imports, the percentage of Fairtrade volumes produced by SPOs is much higher at 65%, 55% and 90%, respectively. It is, therefore, estimated that around 55% of the EU's organic imports of Fairtrade organic bananas come from small producer organisations.

Fairtrade banana producer groups tend to be relatively small (around 10-400 members), and only about a third of them have some non-organic members. However, unlike most smallholder crops, banana appears to be strongly affected by the new farm size/turnover limit for members of a Group of Operators. The Ecuador study and interviews with

Fairtrade producer networks found that many banana farms are larger than 5 ha. Fairtrade standards for small producer organisations (SPOs) require that at least 2/3 of the members of an SPO are small-scale producers, which, in the case of banana farming, refers to farms of up to 10 hectares.

For those members with more than 5 ha, the organic turnover is almost certainly more than € 25,000 per year. In the Ecuador study, based on prices in November 2023, 2.3 ha of organic bananas already represented an organic turnover of € 25,000. Due to high production costs, farms smaller than 5 ha were, however, not considered economically viable.

In bananas, a farm size of < 5 ha or an organic turnover limit of € 25,000 excludes many small-scale banana farms due to their high production costs. Family banana farms tend to need a certain size to be commercially viable for exports to the EU but cannot mechanise in the same way as large plantations and need to pay increasing (fair) wages to workers for the many manual tasks required for bananas. The new turnover threshold risks hindering fair wage increases or the viability of small-scale banana production with a potential net effect of job cuts.

Given the typical size of small farms in the local context and the high turnover, it seems likely that about 90% of all 80 Fairtrade organic SPOs will have at least some members that are "too big" and/or some non-organic. They can hence not be certified as Groups of Operators in their current composition and need to adapt.

Group of operator effects for organic banana production beyond Fairtrade

Considering that the EU imported 705,000 t of organic bananas in 2022 and Switzerland imported 23,200 t, the estimated Fairtrade organic volume sold into Europe from Small Producer Organizations (SPOs) (226,000 t) means that 31% of all EU & Swiss organic banana imports originated from the above-analysed Fairtrade organic SPO supply chains. The actual percentage will be slightly lower as UK organic import volumes are unknown.

For estimating banana import volumes produced by smallholders, the country-specific Fairtrade banana percentage from SPOs was used to extrapolate to total EU volumes from smallholders in the respective four key EU organic banana countries of origin. The Fairtrade percentage of banana volumes from SPOs varies considerably, from 90% in Peru to 16% in Colombia.

Based on this extrapolation, a total of about 380,000 t of organic bananas imported into the EU originate from smallholder group production (54%). The actual percentage is likely lower as it can be assumed that a higher share of non-Fairtrade production is from plantations. Therefore, 45-50% of the volume from small-medium farms under group certification seems a better estimate. Of this volume, 90% is estimated to be affected (analogue Fairtrade).

Overall implications of the new rules

Most organic banana small producer organisations (SPOs) will need to adapt. In order to be certified as a Group of Operators, they would have to form a new (sub-)entity with its own legal personality, consisting only of the smaller organic members, and/or larger members would have to split up their farm holding to stay under the 5 hectares limit.

The new maximum size limit for group certification addresses a known weakness of the group certification system. Many banana farms for the export market are not the traditional smallholders, relying mainly on family labour, for whom group certification was originally intended.

However, small banana farms of only 5-15 ha will not be able to manage and cover the costs of individual farm certification, as the cost of certification tends to be much higher than in Europe and is not subsidised. Some are expected to split their farms. For larger banana farms, individual certification should be manageable and provide better control. The main challenge for banana associations, however, is that these larger farms cannot remain members of the association that is certified as a Group of Operators and that the association can no longer export their product together with produce from smaller farms to ensure continuity of supply and bulk volumes for shipping in containers.

Commercial organic banana production tends to require the use of authorised plant protection products and will be affected by the new restrictions, as many currently used products may no longer be authorised under compliance (see Chapter 3.3.2.)

5.5 Avocado, mangos, pineapple, other tropical fruit

Organic fresh avocados, mangos, pineapples and other tropical fruit exported to Europe originate from medium to large individually certified plantations but are also sourced from small to medium-sized farms under group certification to a significant extent.

Organic certification in horticulture is mostly organised by exporters in both Latin America and Africa (Type 2a and 2b - processor/exporter-organised groups as described in 4.1.1). Even large exporters, at least in typical smallholder countries, tend to work with smallholders as part of their supply chain. Some companies are complementing their own plantations with volumes sourced from outgrowers, while some have specialised in smallholder supply only. This setup allows exporters to scale more easily and cost-effectively, but it also valorises the importance and position of small-scale growers.

Organic mango

Organic EU imports of dried and fresh mangos (same CN code for fresh or dried mangos, guavas and mangosteen) amounted to 14,038 t in 2022 and dropped to 10,289 t in 2023. Important smallholder origin countries for fresh and dried mango 2022 imports) were Burkina Faso (5,370 t), Peru (5,177 t), Ecuador (299 t), the Dominican Republic (232 t). Mango production in Burkina Faso is mainly done via family farming. According to an estimation by COLEAD, around 70% of farms are less than 5 ha, and farms of more than

20 ha are in the minority (less than 5%). For organic mango, the majority of the companies (if not all) source from smallholders and currently manage their organic certification under the contract production model (type 2a exporter organised groups), often partially sourcing from or through farmers associations with varying degrees of commercial autonomy (type 2b groups).

Organic mangos from Peru, the Dominican Republic and Ecuador are expected to originate from both individually-certified medium to large plantations and from small-scale farmers under group certification. For Peru, the review of the SENASA organic certification register showed about 50 producers of mango, thereof 23 producer groups (most with 20-40 producers, the largest with 80) with a total of about 680 mango farms. Some are farmers association Type 1, but the majority seem to be exporter organised groups (type 2a processor organised groups)

The EU also imports significant organic mango volumes from Cote d'Ivoire (1,144 t) and Senegal (1,041 t). For mango production in Cote d'Ivoire, according to information by COLEAD, there are some companies with their own mid-size orchards, but all the companies also source through cooperatives and smallholders. Senegal is not considered a typical organic smallholder group country and reports very few organic producers. In mango production, there are mainly large orchards owned by companies, but smallholders are also involved.

Organic avocado

Total organic avocado EU imports, including dried and fresh avocados (same CN code), amounted to 31,442 t in 2022 and increased to 36,136 t in 2023. Organic avocado imports into the EU (2022) originated from Peru (13,176 t), Kenya (9,297 t), Mexico (3,531 t), Dominican Republic (1,479 t), Tanzania (1,074 t), all important smallholder countries.

In Kenya and Tanzania, a significant part of avocado production is by small-scale farmers - approximately 70% of production in Kenya, according to an estimate by the International Food Policy Institute¹⁹.

Many of the horticulture partners COLEAD is working with in Kenya, Tanzania and Ethiopia are being supplied by small-scale farmers, both for organic and conventional avocado. Even the largest avocado exporting companies in Kenya, Tanzania and Ethiopia work with smallholders as part of their supply chain. In several cases, these complement the companies' own orchards, although some have specialised in smallholder supply only.

For avocado production in Peru, it is estimated that around 70% are sourced from small producers under group certification, given the very high number of organic producers and unusually high percentages of Fairtrade volumes from small producer organisations (SPOs) in Bananas. For the Dominican Republic, more than 55% of organic avocado

¹⁹ IFPRI (2024): Avocados in Kenya: What's holding back smallholder farmers. The IFPRI website, <https://www.ifpri.org/blog/avocados-kenya-whats-holding-back-smallholder-farmers/>

production is estimated to be from small farms, based on the percentage of volume from smallholder organisations in Fairtrade banana production in the country and interview information.

Organic pineapple

Large volumes of organic fresh and dried pineapple originate from Cote d'Ivoire and Costa Rica, but this production is estimated to be mainly from large plantations, often for large multinational companies. Key countries for smallholder pineapple production under group certification – especially for dried pineapple but also some fresh volumes – were Togo (684 t), Benin (144 t), Sri Lanka (103 t), Uganda (87 t) and Ghana (52 t) in 2022. Production in Cameroon (107 t) is expected to be mostly from larger farms.

Implications of the new rules in tropical fruit

In Africa, farm income data during ICS training courses and survey comments confirmed that even larger farms with more than 10 ha are very much below the € 25,000 threshold. Almost all African organic small producer fruit supply chains will still need to adapt in a very fundamental way to become certified under the new regulation. The export companies who currently organise and manage the organic certification, training, as well as traceability systems need to set up a new one or often several legal entities and/or plan for organic certification of several existing farmer associations in their supply chain. There are some large groups with several thousands of farmers.

In Latin America, however, the organic turnover limit may be exceeded in some fresh fruit, so careful analysis of organic turnover may be needed for farms beyond 5 ha.

The new restrictions for plant protection substances/products in third countries (see Chapter 3.4) are expected to be another key challenge for organic horticulture production, especially in Latin America.

Status of adaptation in tropical fruit

COLEAD worked with FiBL to offer ICS training for horticultural companies in Africa to align with the new EU Regulation in 2023 and 2024 and is also providing post-training technical support to a selected number of companies to adapt and align. For these supply chains, adaptation is now underway, but the different options are beginning to be evaluated, and the first steps towards adaptation are being taken. With the exception of a few supply chains owned by European companies that are expected to be ready soon, few other fruit supply chains are expected to be on their way to compliance yet.

Discussions and information provided by selected companies indicated that the adaptation will involve the formation of several smaller Groups of Operator units, e.g. regional crop-specific groups or certification of several existing farmers' associations.

For the companies, setting up several smaller groups is also a risk mitigation measure if a new independent association does not end up selling the agreed organic volume to the

company despite most organic compliance costs (ICS, traceability system, external certification costs) in most cases still being managed and paid by the company under new subcontracting and commercial agreements for continued quality.

Adaptation will involve significant commercial risks and supply chain challenges for the companies involved in organic export. Logistics and traceability are particularly challenging for perishable products such as fresh fruit, and the future new commercial setups are not yet tested and operational.

5.6 Nuts, oilseeds and oleaginous fruit

Cashew

The EU imported 14,282 t of organic cashew in 2022 and roughly the same volume (14,462 t) in 2023. Organic cashew nuts are predominantly grown by small-scale farmers under group certification. Shelling of cashew nuts is concentrated in Vietnam. Thus, organic imports from Vietnam (more than 6000 t of shelled cashew) are likely to include nuts grown in Africa and Southeast Asia. The EU also imports large volumes of shelled cashew from Burkina Faso (\approx 2,600 t) and Cote d'Ivoire (\approx 2,100 t).

Given the nature of the crop, this study estimates that 80 to 90% of organic cashew production is by smallholders under group certification. Only in Vietnam does there seem to be also the model of large farms with their own processing.

Fairtrade certifies around 30 organic small producer organisations, most of them 1st-grade farmers associations, without non-organic members and under the 2000 size limit. However, the largest volumes of shelled organic cashews from West Africa and a large part of the volume from Vietnam are estimated to be produced by processor/exporter-organised groups (type 2a or 2b). Some organic volume will originate from organic farmers' associations.

This would imply that 60 to 70% of organic cashew volume originates from smallholder supply chains organised by processors/exporters, who must adapt their organisational and commercial setup to continue group certification for the EU market.

Larger organic contract production companies owned by or associated with European companies are expected to be adapting and ready in 2024.

Other nuts

Macadamia is grown in large plantations, e.g. in South Africa and Australia) but the EU organic volumes originate almost entirely from Kenya (628 t), where production is likely by smallholders under group certification and mostly organised by a processor/exporter.

Organic hazelnuts imported into the EU originate from Turkey and are certified almost entirely in producer groups organised by processors, many without ICS and 100% external control. Many farmers are expected to exceed the 5ha and 25,000€ organic turnover limit. These supply chains need to now change either to individual farm certification or newly-formed Group of Operator compliance entities for eligible farmers.

Organic Brazil nuts are certified under the wild harvest plant production rules, not Group of Operators, and not much affected by the new rules.

Coconut and other oleaginous fruit

Organic coconut products such as coconut oil, coconut milk/cream and desiccated coconut originate predominantly from small to medium-sized farms under group certification, often organised by the processor under a contract production model (type 2a and 2b groups). In 2022, the most important EU organic origins were the Philippines (2,246 t desiccated coconut, 1,097 t oil), Sri Lanka (2,127 t desiccated coconut, 301t oil), and Indonesia (181 t desiccated coconut, 1050 t oil) and India.

Fairtrade certifies around 20 organic coconut small producer organisations, and most appear to meet the Group of Operator definition. However, the bulk of the organic import volume is probably from company-organised group certification. Many different trading companies seem to be active in the named countries, exporting organic coconut products to various different markets. Beyond a few organic brand-owned organic sources, no details are known about the status of adaptation in these supply chains.

Organic palm oil is grown by smallholders under group certification in selected supply chains only, but the bulk of EU import volume is from large plantations.

Shea production is mostly certified under the EU wild collection rules, which does not need to change significantly to the new rules. However, the control of shea processing (if in small artisanal processing units) may need to change slightly in some cases.

Sesame seeds

Organic sesame from some key organic smallholder origins, especially Uganda (6,356 t) but also Pakistan (1876 t), Mali (1,289 t), and Paraguay (1,180 t), are likely produced by small and medium-scale farmers under group certification organised by a trader.

Many European companies appear to be involved in sesame production projects, and thus can be expected to be already advanced in aligning to the new EU rules.

5.7 Rice and sugar

Rice

EU organic rice imports amounted to 76,473 t in 2022 and dropped slightly to 73,560 t in 2023. About 95% of organic imports originate from typical smallholder countries and are estimated to be produced there, at least to a great extent, by small or medium-scale producers under group certification. Important rice origins and smallholder origins of EU organic rice imports are Pakistan (44,666 t), India (27,385 t), Cambodia (11,834 t) and Thailand (7,314 t). This study estimates that roughly about 75% of originate from farms under group certification.

Production is mostly type 2a or 2b groups organised by rice mills (contract production). However, there are also some type 1 farmers associations (e.g. in Thailand).

Analysis of Fairtrade organic rice production in about 20 small producer groups with a total of around 12,000 organic farmers showed that almost all producer organisations do not seem to meet the new Group of Operator criteria. Over half are contract production organisations (Type 2 trader/processor-organized producer groups). Many Small Producer Organisations (SPOs) seem to have non-organic members.

It seems likely that organic rice production in the respective countries is organised by relatively few major actors, who may have already started to adapt if they are closely associated with European partners or sell large volumes of organic rice to the EU market. Beyond the example of successful adaptation in Thailand (see Chapter 4.1.2), no further information on organic rice was collected during this study.

Sugar

Around 40% of EU organic cane sugar imports are estimated to be grown by small-medium farms under group certification. Many groups are organised by the sugar mill (type 2 processor/trader organised groups), but there are also some Fairtrade certified type 1 farmers associations with close association to a sugar mill.

Paraguay, Costa Rica and India have high numbers of Fairtrade farmers and significant organic exports to the EU. Columbia also exports high volumes of sugar, which is estimated to be mostly from larger plantations. Paraguay is an important country for small -medium farmer group certification, exporting 2,776 t raw cane sugar and 10,686 t white sugar to the EU (in 2022).

There are 40 Fairtrade organic Small Producer Organisations (SPOs) in the sugar sector, with a total of 4000 organic members selling around 30,000 t of Fairtrade organic sugar in Europe. It is estimated that around 40% of SPOs will need to adapt to be certified as a Group of Operators because they have non-organic members and/or at least some members who are "too big".

CB data on sugar production in Paraguay confirmed that although many farmers have larger areas, most tend to be below the organic turnover threshold of €25,000. However, it can be expected that some groups will have at least some members that are "too big".

The main challenge for organic sugar production in Paraguay is that most non-Fairtrade organic production is under contract to sugar mills. According to information received by a CB in June 2024, most actors have not started to adapt to the Group of Operators and other new requirements despite the training provided.

5.8 Spices & herbs

Many spices such as vanilla, pepper, cinnamon, cardamom, turmeric, cloves, saffron and nutmeg are important smallholder crops and predominately produced by small farmers certified in groups, often in agroforestry cropping systems.

Organic production appears to be very concentrated in a few key origins for each crop. Organic vanilla imported into the EU comes almost entirely from Madagascar (310 t) plus 4 t from Uganda.

Organic pepper originates from Sri Lanka (572 t), India (134 t), Indonesia (79 t), Tanzania (72 t), Madagascar (51 t), and Cambodia (42 t). Cinnamon originates predominantly from Sri Lanka, Cardamom from Guatemala and Tanzania, Turmeric from Peru and India, Cloves from Madagascar and Sri Lanka, and Nutmeg from Sri Lanka and Indonesia. Saffron is from Iran, Peru and Morocco.

The analysis of the about 50 Fairtrade organic herbs & spices SPOs showed that most (> 90%) appear to meet the new group of operator requirements. However, this may only be part of the overall picture as many organic spice exports are traditionally organised by exporters or NGOs/Social Enterprises acting as exporters. Some examples confirm that quite a few of these supply chains are working with and supporting several small farmers' associations in certification and organic marketing. It is, therefore, expected that adaptation in many spice supply chains is rather straightforward.

Ginger is a special case as it is imported both fresh and dried, and EU imports seem to originate to a much lesser extent from smallholder group certification than other spices. Some organic volumes (presumably fresh) originate from Peru (16,936 t), which is an important smallholder producer country, but a review of the SENASA organic certification register showed that organic ginger is grown in 30+ larger farms and only 11 rather small groups (from 10 to 110 farmers). Some ginger imports also originate from Uganda (196 t) and Madagascar (65t), where it is expected to be grown by small farms under group certification to a similar extent as fruit like mango or avocado.

As fresh ginger is often marketed by horticulture companies who export fresh fruit it seems likely that many groups are Type 2 exporter organised groups, with or without own farm production. In Peru, some groups are farmers associations (Type 1 a).

5.9 Cotton

Cotton is an important smallholder crop in India and Tanzania as well as West Africa. 97% of global organic cotton was produced by just eight countries in 2020/21: -India (38%), Turkey (24%), China (10%), Kyrgyzstan (9%), Tanzania (6%), Kazakhstan (4%), Tajikistan (4%), and the US (2%). The remaining 13 organic cotton-producing countries (incl. The smallholder countries Benin, Peru, Burkina Faso and Mali) accounted for just 3% (Textile Exchange, 2022).

Only in India, Tanzania and West Africa, organic cotton originates predominantly from small farms or farms under group certification, both farmer associations (type 1b large federations of cooperatives in Africa, type 1a primary farmer organisations in India) and type 2 processor/exporter-organised certification (India & Pakistan). This would mean that slightly less than half of all organic cotton is produced under group certification.

However, organic cotton producer groups do not need to change to compliance with the new Organic Regulation 2018/848. While the scope of the new Regulation includes

“cotton, not carded or combed”, organic cotton is typically imported into the EU as yarn, fabric or garments, which fall outside the scope of the regulation. Import of these cotton products is not regulated under the EU organic regulation. Product labelling is under private organic textile standards such as GOTS (Global Organic Textile Standard) or Textile Exchange. Given that GOTS accept all organic standards in the IFOAM family of standards for cotton production, cotton farmers could opt for any IFOAM-recognised organic standard, in particular USDA NOP, which is a pre-requirement for Textile Exchange organic textile labelling.

6. Analysis of implications by region and country

Method and product category colour coding

Global organic production and trade statistics do not allow differentiation between organic production in individual farms and smallholder farmers under group certification.

Even available data on the number of organic farms (e.g. World of Organic Agriculture) in “smallholder countries” is particularly difficult, as some control bodies and/or national authorities report the number of producer groups (and not producers in the groups) and/or include wild harvest collectors and other factors such as double counting producers certified for multiple crops.

For the smallholder country analysis as the basis for this regional summary, this study combined available producer data of the World of Organic Agriculture (data of 2022 unless indicated; Willer et al. 2024), data from national organic authorities, and EU organic import data in TRACES (data of 2022, European Commission 2023). In cases where no reliable data was available, the number of producers (including those in groups) was estimated based on available information sources (e.g. certifier lists and lists of national experts).

For information per country, see Annex 3.2. Annex 3.3 summarises EU imports for key smallholder products (incl. CN code specification of the product used for analysis).

Colour coding “smallholder product” for products grown in the respective region

Product A > 70% from groups	Product B 70-40% from groups	Product C 40-10% from groups
Estimated > 70% of organic production from producers under group certification	Estimated 40-70% of organic production from producers under group certification	Estimated 40-10% of organic volumes from producers under group certification.

6.1 Latin America and the Caribbean

The scale of organic production in groups, key products and expected implications is summarized in Figure 19 and Table 1:

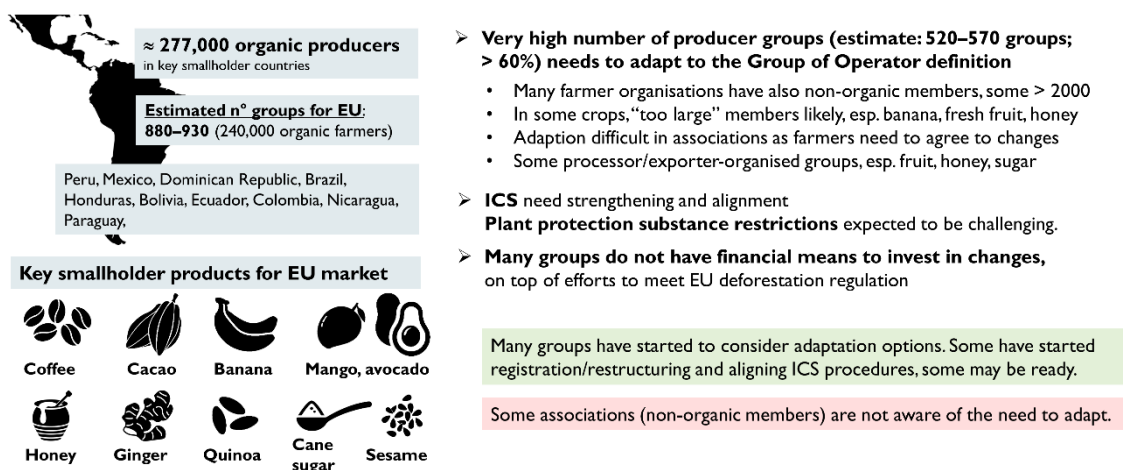


Figure 19: Summary Latin America: Products, implications and status of adaptation

Source: Own illustration

Table 1: Summary Latin America & Caribbean: Producers & products

Organic producers	≈ 277,000 organic producers in groups in key smallholder countries				
Key smallholder countries	Peru, Mexico, Dominican Republic, Brazil, Honduras, Bolivia, Ecuador, Nicaragua, Paraguay, Guatemala, Colombia				
Key organic smallholder products and EU imports in 2022 (from listed smallholder countries only)	Coffee <i>Green coffee</i>	Cacao <i>beans</i>	Bananas fresh	Avocados	Mangos <i>Dried & fresh</i>
	107,410 t	34,358 t	665,130 t	18,332 t	6,098 t
	Honey	Cane sugar <i>Raw cane + white sugar</i>	Quinoa	Ginger <i>Dried & fresh</i>	Sesame seeds
	9,045 t	94,310 t	10,959 t	17,905 t	1,900 t
	From wild collection: brazil nuts				
Number of groups	Fairtrade organic groups: 570 Small-scale Producer Organisations (SPOs) Estimated total organic producer organisation groups (+25%): 710 + Estimated contract production groups (20-25% of groups): 170-220 = Total estimated producer groups for the EU market: 880-930				
Estimated need to change	Estimated need to change to meet Group of Operator definition: 520-570 producer group (≈60-62%)				

Source: Own compilation and estimates

Latin America: Group member farm size and organic turnover

The majority of farms in groups have under 5 ha, but also farms up to 10 ha total agricultural land or more are common and still considered small-scale farms in the national context. Most smallholder farms had organic turnovers well below € 25,000 during the 2023/24 season, and hence also, farms with > 5 ha were eligible to be members in a Group of Operators. However, in bananas, some other fresh fruits, and honey, the organic turnover will easily exceed the € 25,000 organic turnover limit. However, due to high production costs, the farmer's income is much lower.

The recent extreme peak in cocoa prices adds new complications for the adaptation of organic producer organisations in the region. Most cocoa farmers have more than 5 ha of land, and hence, the farm's organic turnover becomes the decisive criterion for Group of Operator membership. Based on cocoa prices of the past years, almost no small cocoa farmers in groups were expected to exceed the limit (17-20 ha under organic cocoa corresponded to a turnover of € 25,000). However, with the current very unusually high cocoa prices, there is a risk that some organic cocoa farmers may exceed the limit this year. Hence, more cocoa organisations may potentially need to adapt their organisations to become certified as Group of Operators than originally assumed for estimating global implications (see Chapter 4.1.2).

Latin America: Group types and characteristics

Latin America has the highest number of organic small producer organisations; most farmers Type 1a (primary farmers organisation) or Type 1b federations of farmer organisations (secondary or tertiary farmer organisations). In some products, e.g. fruits, many groups are very small or small (10 to 200 farmers). But there are also some very large groups (especially in coffee and cacao) with more than 2000 farmers.

Fairtrade organic is very important in Latin America. There are 570 Fairtrade organic small producer organisations in Latin America, with 157,000 organic members.

In some products, especially for fresh fruit (besides bananas) and sugar production, there are also Type 2- Processor/exporter organised/certified groups.

Latin America: Key implications

In the Fairtrade organic analysis, it was found that 60% of all small producer organisations – 340 SPOs in total- are expected to need to adapt their organisational setup and composition to meet the new Group of Operator rules. The main reason is that many organisations also have non-organic members (260 SPOs). In a few products, especially bananas, almost all groups are expected to have at least some members that exceed both the 5 ha farm size limit and the organic turnover limit. 18 SPOs have more than 2000 members

Similar implications are expected for organic small-producer organisations also beyond Fairtrade. Peru appears to be a special case as primary cooperatives may not have non-

organic members per national law. Many, but not all, SPOs are starting to analyse suitable adaptation options, but few appear to have completed the adaptation and have updated all procedures.

Additionally, all company-organized groups (especially those in fresh fruit, sugar, and honey) need to change their commercial and certification setup completely. They need to change to certification of farmers in one or several Group of Operator entities. Some of these may be existing farmers' associations taking on more responsibilities, but often, the setup of new farmer group entities may be required.

Although in a global comparison, the Internal Control Systems (ICS) in Latin America tend to be well developed, almost all small groups are expected to need to strengthen their ICS and align their ICS fully to the new requirements. New restrictions on products and substances authorised in organic production for plant protection (see Chapter 3.4) are expected to cause significant challenges in crops with higher use of organic inputs (e.g. bananas and fresh fruits).

Increased certification and other annual costs to maintain certification can be critical factors in the group's decision on whether to continue with organic certification in some crops (especially coffee and cacao), particularly if they sell only limited volumes to the EU with organic premiums.

Other relevant information

Many Latin American countries also sell high organic volumes to the US and Canada, and some may opt to focus on the US and Canadian organic market and reduce the scope of EU organic production.

See Annex 3.2 for a country-by-country analysis of characteristics with regard to group certification, imports into the EU and additional information as well as the findings of the Peru country case study. Chapter 5 provides a more detailed analysis per product, as production characteristics for some products may vary within a region and/or country.

6.2 Africa

The scale of organic production in groups, key products and expected implications is summarised in Figure 20: Summary Africa: Products, implications and status of adaptation and in Table 2: Summary Africa: Producers& products.

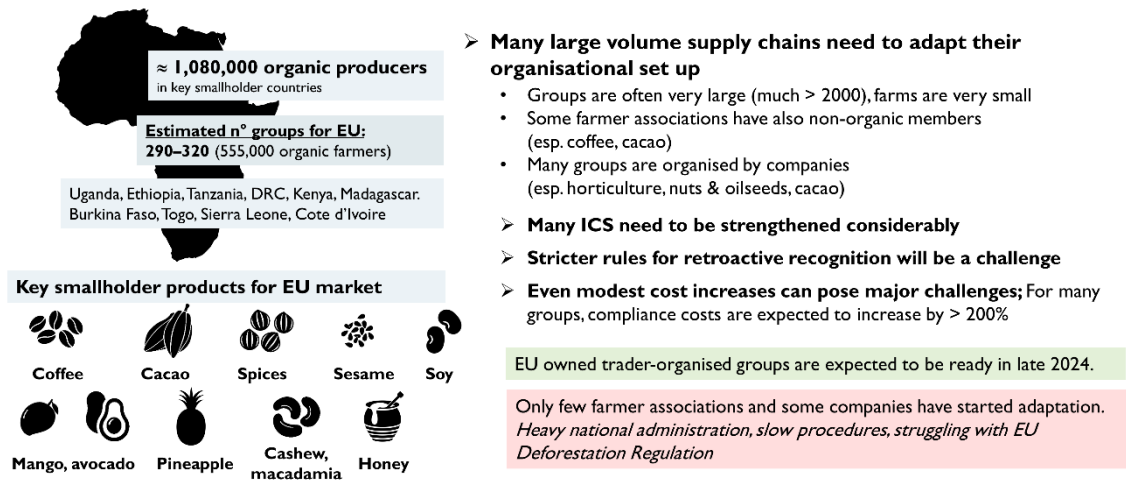


Figure 20: Summary Africa: Products, implications and status of adaptation

Source: Own illustration

Table 2: Summary Africa: Producers& products

Organic Producers	≈ 1,080,000 organic producers in groups in key smallholder countries				
Key smallholder countries	Uganda, Ethiopia, Tanzania, Democratic Republic of Congo, Kenya, Madagascar. Burkina Faso, Togo, Sierra Leone, Cote d'Ivoire, Senegal, Mali, Zimbabwe, Benin, Rwanda				
Key organic products and EU imports 2022 (from listed smallholder countries)	Coffee	Cacao beans	Avocados	Mangos Dried & fresh	Soy
	19,020 t	35,314 t	10,420 t	7,702 t	144,248 t
	Cashew	Sesame seeds	Vanilla	Other spices	Honey
	5,967 t	8,576 t	314 t		223 t
	From wild collection by small “producers”: shea butter & argan oil				
Estimated number of groups	Fairtrade organic groups: 150 small producer organisations with a total of 285,000 organic members; Estimated total number of organic small producer organisations (+25%): 185 + Estimated contract production groups (40-50% of groups): 105-140 = Total estimated groups for the EU market: 290-325				
Estimated need to change	Of the FT-Organic groups in Africa, 45 SPOs (32%) with more than 240,000 (>85%) organic farmers need to adapt to become certified as GoO Total organic producer groups in Africa estimated need to change to meet GoO rules: ≈ 200-230 groups (68-71%)				

Source: Own compilation and estimates

Africa: Farm size and organic turnover

Farms in Africa tend to be often very small (< 2 ha) and with low productivity and organic turnovers compared to, for example, Latin America. In horticulture and nut production, farms tend to be larger in area (e.g. up to 10 ha) but still have very low organic turnovers. In the analysis conducted during ICS training courses, not a single farm with more than € 25,000 turnover was found, not even in fresh fruit.

Africa: Group structure and characteristics

In the identified smallholder African countries, organic production for most products is predominantly in producer groups with ICS and some medium to very large plantations (which can account for a significant share of volumes, especially in fresh produce for export).

In coffee, cacao and also cotton (in some countries), large federations/associations of farmer cooperatives (type 1b farmer associations) are common. Many of these are very large and are severely affected by the new maximum group size of 2000 members, which will increase the cost of organic certification several times. For other products, farmer associations may also be common in some countries, e.g. in Ghana, where there are smaller farmer cooperatives that are completely dependent on a few larger exporters for their organic certification and sales. Many farmer groups are already struggling with weak ICS, low profitability and low organic sales before compliance with the new rules.

Type 2 exporter-organised/certified groups are also very common in Africa and supply large volumes of organic products to the European market, especially in fruit, honey, soy, spices, oilseeds and oleaginous fruits, but also in cacao (Tanzania) and cotton (Uganda). Depending on the country, the processors/exporters may source from (informal or formal) farmer associations with varying degrees of independence (type 2b) or directly from farmers (type 2a). Still, in almost all cases, they manage the ICS and the organic certification. In some cases, the exporter is a social enterprise and/or a non-profit organisation aiming to support smallholder farmers.

Southern and Northern Africa have a different structure: mostly individual certification of larger farms; clusters of smaller farms can sometimes be under 100% control without an ICS group certification system under one certificate (group type 1c or 2c).

Africa: Key implications

The organic production of at least one million smallholder organic producers in Africa will be severely challenged by the new rules. It is expected that most organic production will need to change the legal structure of their organisation and/or their procurement and certification setup. This study estimates that 70% of all currently EU-certified organic producer groups must change to become certifiable as a Group of Operators. The percentage of organic farmers affected by the group of operator rules is likely more than 85% (*percentage of organic farmers in FT organic SPOs in Africa with > 2000 members*).

EU-owned and closely related supply chains, especially those managed by exporters, have started to analyse options for adaptation or are close to doing so. However, many farmer associations and trader-led groups appear to be waiting. In any case, from the end of 2024, many high-volume supply chains will have completely new sourcing and certification regimes in place, the impact of which is yet to be seen.

Stricter rules on retrospective recognition of conversion are expected to have a strong impact on many groups. The stricter rules will increase the cost of producing organic products and reduce the flexibility to increase volumes when demand increases.

For coffee, cacao and soy, the adaptation to the new Organic Regulation comes on top of the challenge of efforts to meet the new EU Regulation on Deforestation-free Products by the end of 2024.

See Annex 3.2 for the analysis per smallholder country and the results of the Ghana country case study. Chapter 5 provides a more detailed analysis by product.

6.3 Asia

The scale of organic production in groups, key products and expected implications is summarised in Figure 21 and Table 3.

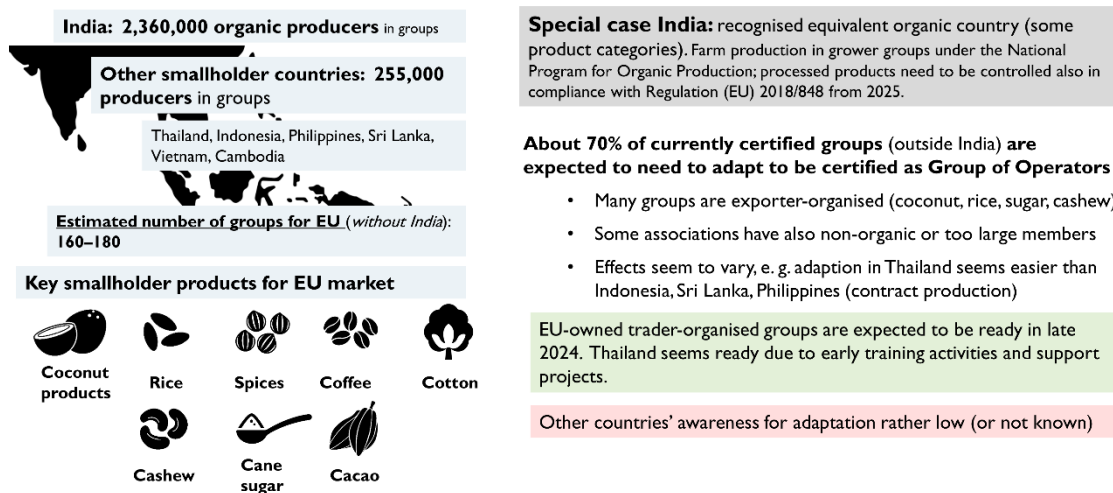


Figure 21: Summary Asia: Products, implications and status of adaptation

Source: Own illustration

Table 3: Summary Asia: Producers & products

Organic producers	India: ≈ 2,365,000 organic producers (Indian National Organic Program) Other smallholder countries: 250,000 – 260,000 producers (estimate)				
Key smallholder countries	India (EU equivalent organic system), Thailand, Indonesia, Philippines, Sri Lanka, Vietnam, Cambodia				
Key organic products and EU imports 2022 (without India)	Coffee	Rice	Coconut products	Spices	Cashew
	4,290 t (17,023)	35,914 t (12,710 t)	Desiccated: 4,804 t (4,608 t) Oil: 9091 t (8,688t)	Multiple products	6,734 t (6,081 t)
Estimated number of groups & need for adaptation (without India)	Fairtrade organic small producer groups (<i>without India</i>): about 80 Estimated total organic small producer organisations (+25%): 100 (likely more) + Estimated contract production groups (<i>40-50% of groups</i>) = Total estimated groups for the EU market: 160-180				
Need for adaptation	Estimated need to change organisation set up to become certified as Group of Operators: -105-130 producer groups (≈68-71%)				

Special case India

India is the country with the most organic producers worldwide. There are 2,365,000 organic farmers in 6,496 “grower groups being certified under the National Program of Organic Production NPOP” (APEDA, 2022/2023). NPOP includes rules for grower group certification since its inception, with a maximum group size limit of 500 farmers.

The switch from equivalence to compliance does not materially change the current system of imports. India’s organic control system is partially recognised by the EU as equivalent, until at the latest 31 December 2026, and is negotiating a trade agreement for organic products. The country equivalence recognition in Regulation (EU) 2021/2325 (Annex I) covers only two product categories (A- unprocessed plant products and F-vegetative propagation material and seeds) and only if certified by listed selected NPOP control bodies. Organic crop production in India can only be certified according to the Indian NPOP programme and cannot be certified in compliance with Regulation (EU) 2018/848. No control body has been authorised by the EU under compliance with the new regulation for Category A in India.

The product category “D-processed agricultural products” is currently certified under the equivalence system for control bodies, which ends on 31 December 2024. Under the new compliance scheme, only certification bodies recognised by the EU for compliance (Annex II of Regulation EU 2021/1378) for country scope India and product Category D can certify processed agricultural products used as food for organic export to the EU. As of October 2024, only one out of seven Control Bodies recognised for compliance for India is also recognised for EU-equivalent-NPOP certification of unprocessed plant products. This seems to imply that producer groups in India will be certified under the NPOP grower group rules for their plant production. Still, those exporting “processed agricultural products” will need additional certification in compliance with regulation 2018/848, often by another control body for European export. The results of negotiations for the trade agreement with India are unclear.

Asia: Farm size and organic turnover

Farm size varies between crops and countries. Many very small farms (e.g. in spices), in other crops (e.g. in coconut), many farms are beyond 5 ha. Based on the limited information available, a few very large members in rice or coconut groups could also be above the € 25,000 threshold. Still, the vast majority are expected to have organic turnovers well below the € 25,000 limit.

Asia: Group structure

Some Asian countries seem to have many organic small producer organisations (Thailand, India), most of them type 1a primary farmers organisations. But in other countries (Sri Lanka, Philippines, Indonesia), the majority of organic production is likely in processor/exporter organised groups, (type 2 a or 2b), especially in coconut and rice.

There are about 140 Fairtrade organic small producer organisations in Asia (about 80 in India), with an estimated total of 115,000 farmers. Of these, 12 Fairtrade organic small producer organisations have over 2000 members.

Asia: Key implications

In the Fairtrade organic small producer group analysis, it was found that 60% of all organic small producer groups in Asia (60) are expected to need to adapt their organisational setup and composition to meet the new Group of Operator rules.

For all organic groups (including non-Fairtrade producer organisations and exporter organised groups) in Asia (without India), it is estimated that roughly 70% of currently certified groups will need to adapt their organisational structure, mainly due to groups organised by traders. It also seems likely that farmers are registered in several groups.

Apart from Thailand, where adaptation of the few EU market-oriented supply chains is in process, and a few European-owned supply chains, there seems to be very limited awareness of the new rules. The status of adaptation measures, especially for the many company-led group supply chains, is unknown.

For some countries (esp. Philippines and Indonesia), the scale of group certification seems particularly opaque in many company-organised systems with very limited data on producers available (due to CB reporting mechanisms). Hopefully, the application of the 2018/848 and the new clearer rules (e.g. also that each farm can only be a member of one ICS for a given product) will improve the transparency of organic supply chains.

6.4 Mediterranean third countries

The scale of organic production in groups, key products and expected implications in Mediterranean countries is summarised in Figure 22.

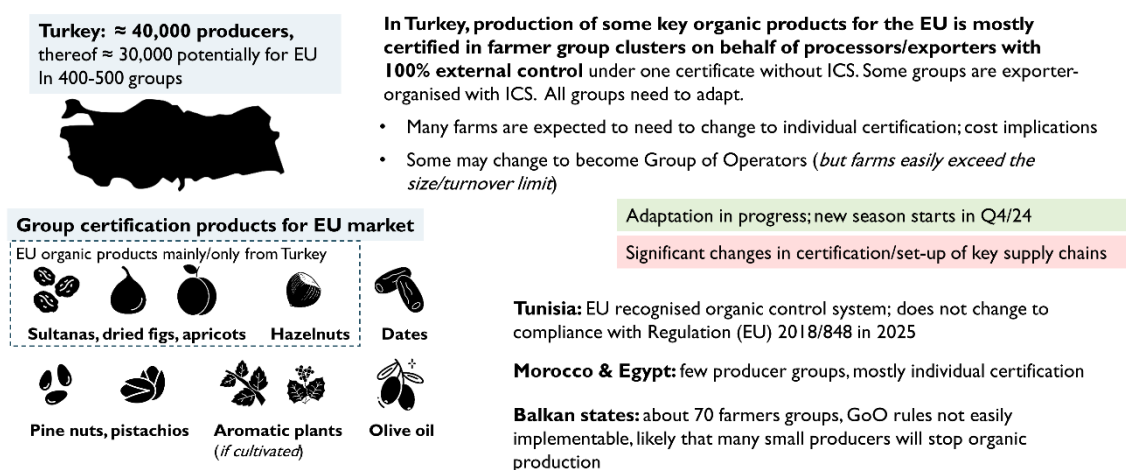


Figure 22: Summary of Mediterranean third countries

Source: Own illustration

Turkey is a major supplier of many organic products to the EU, with some certified products (notably dried figs, apricots, sultanas and hazelnuts) almost entirely sourced from Turkey under a less well-known group certification model. Group certification in Turkey has specific characteristics as it is mostly adapted to the Turkish organic regulation, which requires 100% control of all farms. Certification under the Turkish regulation is not compulsory but attractive as it is linked to organic subsidies. Some groups are only EU and/or NOP certified as producer groups with ICS.

The main products produced mainly or to a large extent by group-certified smallholders are dried figs, apricots, sultanas, hazelnuts, pine nuts, pistachios, cherries and olives. Almost all of the organic supply chains for these products do not qualify as a Group of Operators, both because they are organised as processors/exporters but also because there is no ICS and/or the farms may exceed the size/turnover limit for members. Turkey also has many individually certified organic farms, especially for arable crops such as wheat, barley, lentils, and cotton, but also for other crops such as olives, which are certified individually and in groups. Based on an analysis of the Turkish Regulatory Certification Register, it is estimated that about 85% of organic producers for the EU market are under group certification and will need to change.

For more information on group certification in Turkey, Morocco and the Balkan countries, see Annex 3.2.4. Tunisia is not analysed further as its national organic system is recognised as equivalent by the EU (see Chapter 3.1). Still, there is also group certification with 100% control, which is considered important for developing organic production.

6.4.1.1 Groups of Operators within the EU

Although initially it seemed important to allow certification of Groups of Operators also within Europe, there are hardly any new Groups of Operators in the EU.

The Group of Operator criteria are not easily met by European producer organisations. The main restricting factors within Europe are the rules on the legal composition only by organic members under the farm size/turnover limit and the need for joint marketing (Solfanelli et al., 2021).

7. Implications for the EU and Swiss organic sectors

7.1 EU organic import market

For organic traders in Europe, as well as producers in third countries, the change to compliance for imported products comes at a difficult time. For the first time in many years, EU organic volumes in 2023 are down by 9.1%, the lowest level since 2023. The decline reflects a reduction in demand due to the sharp rise in food prices over the last two years. (European Commission, 2024)

The Netherlands remains the top destination for organic imports in the EU but saw a significant decline in total volumes (-20%). Germany (-7%) and Belgium (+2%) remain the 2nd and 3rd destinations.

The decline in sales volumes to Europe was also reported in almost all interviews with producer organisations and traders in Europe. The changed market situation affects not only volumes but also prices. At the same time, other organic markets are more dynamic and represent an increasingly attractive market for producers. At the same time, other organic markets are growing and becoming more attractive for exporters (see Figure 23: Development of EU and US organic imports)Figure 1: Estimated share of imported organic products, which are produced by smallholder groups.

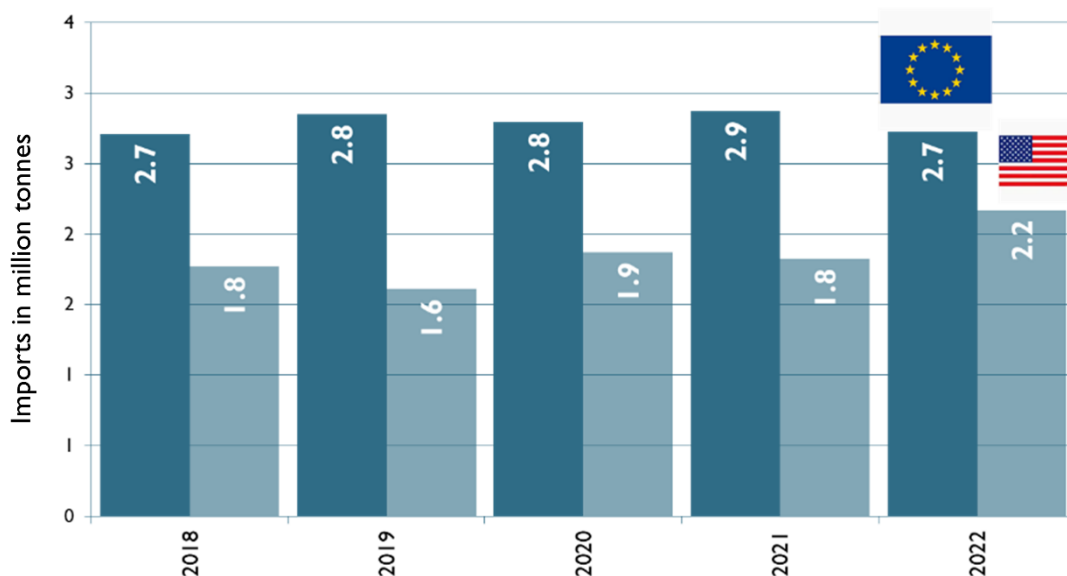


Figure 23: Development of EU and US organic imports
Source: TRACES and GATS (European Commission, 2023 and USDA, 2024)

7.2 European organic imports from smallholder value chains

Imports into the EU

All producer groups in most third countries outside the EU²⁰ have to adapt to the new EU Organic Regulation under the new compliance scheme with more difficulty than larger individually certified farms. All groups will have to comply with all new ICS requirements and organic production rules (see Chapter 3.3).

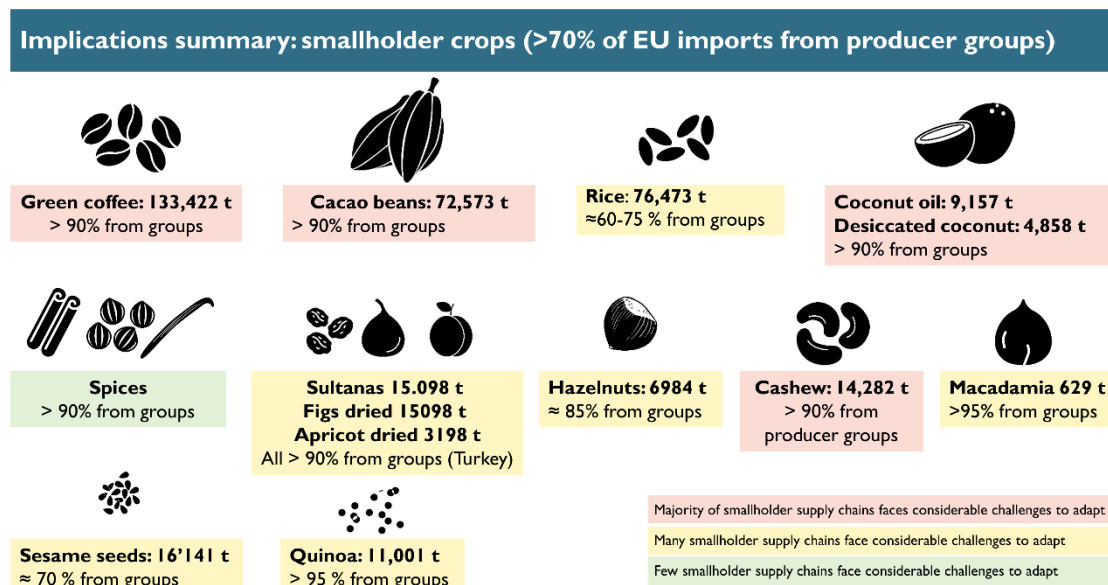
It is estimated that around 70% of organic groups worldwide will also need to adapt their legal, organisational, commercial and certification setup to the new Group of

²⁰ Except the 14 countries with national organic control systems recognised by the EU (listed in Annex I of Regulation (EU) 2021/2325 or trade agreement on organic products).

Operators requirements (see chapters 3.2.2 and 4.1), with different impacts depending on the group, crop and region (see more detailed analysis in chapters 5 and 6).

Producer groups will also be affected by cost and other commercial implications. Many are expected to reassess the costs and benefits of EU organic certification for their operation under the new conditions (see chapters 4.3 and 4.4).

The following overview summary figures 25, 26 and 27 show the total EU organic imports (2022) in three categories of estimated volume percentages from group certification and adds a summary qualitative assessment of how many of the smallholder supply chains for each product face considerable challenges to adapt.

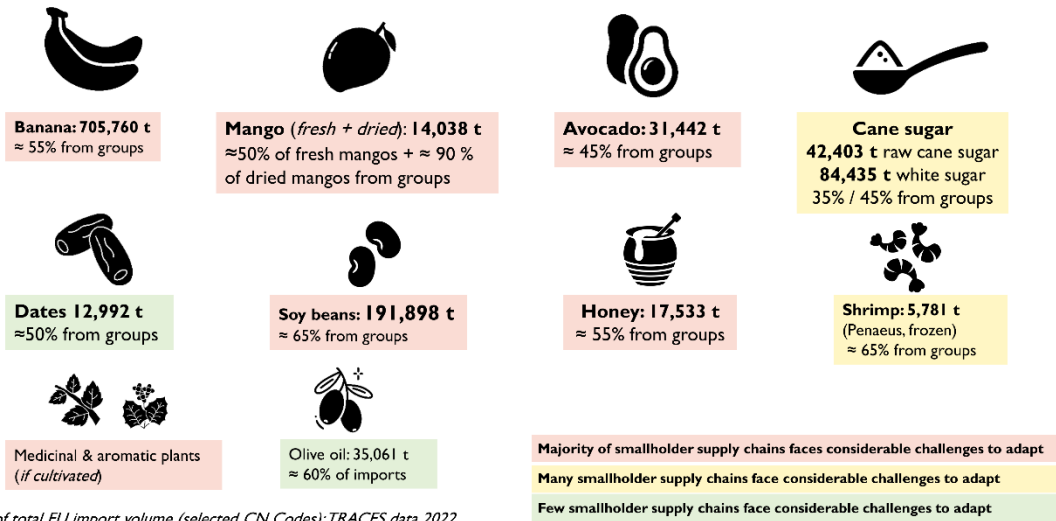


Source of total EU Import Volume (select CN Codes) :TRACES data 2022

Figure 24: EU organic imports by commodity with an estimated 70% produced by producer groups

Source: Own illustration

Implications summary: smallholder crops (10–40% of EU imports from producer groups)

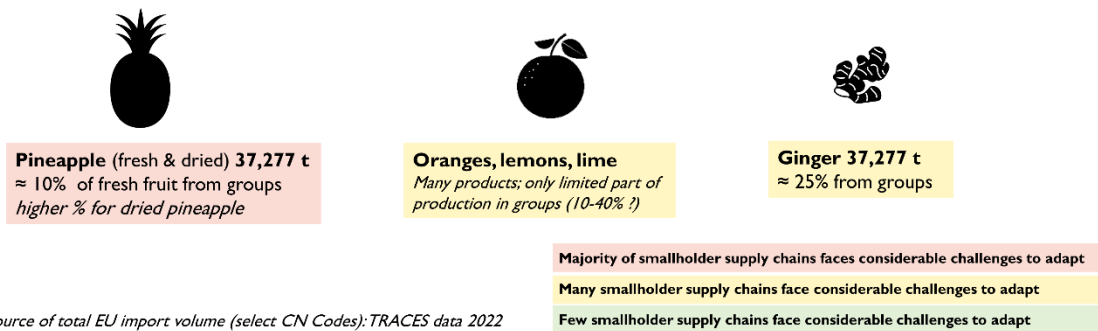


Source of total EU import volume (selected CN Codes): TRACES data 2022

Figure 25: EU organic imports by commodity with an estimated 40-70% produced by producer groups

Source: Own illustration

Implications summary: smallholder crops (10–40% of EU imports from producer groups)



Source of total EU import volume (select CN Codes): TRACES data 2022

Figure 26: EU organic imports by commodity with an estimated 10-40% produced by producer groups

Source: Own illustration

A complete table of key smallholder products (with CN codes), EU import volumes from smallholder countries, EU total import volumes and assumptions to estimate the share of EU organic imports certified under group certification can be found in Annex 3.3.

Overview of organic imports into Switzerland

Imports into Switzerland from most countries are equally affected by the new EU regulation. The Organic Farming Ordinance (SR 910.18) sets out the principles by which agricultural products and foodstuffs labelled as organic must be made and produced.

The regulations apply to the production, preparation, storage, marketing, import and export of organic products in Switzerland.

The Organic Farming Ordinance (SR 910.184) of the Swiss Federal Office of Agriculture (FOAG) is particularly relevant for the import of organic products. Annex 1 of the Ordinance sets out the list of countries whose production and inspection regulations are recognised as being equivalent to those in Switzerland – the list includes the same countries as also recognised by the EU. Organic products certified by EU-recognised third country control bodies, according to the EU organic regulation, may also be imported into Switzerland. Annex 2 contains a list of other certification bodies and inspection authorities which, by way of derogation from the new EU Regulation, are approved for imports into Switzerland from certain countries.

The country has had a long-standing equivalence agreement with the EU and has already signed a trade agreement with the EU for organic products according to the new Organic Regulation. Currently, an update of the Swiss organic regulation is in progress to align with the new EU regulation. Switzerland aims to also negotiate new bilateral trade agreements on organic products with selected recognised countries. Still, there are no plans to list additional countries not listed by the EU. Third country operators cannot be certified according to the Swiss regulation and require EU organic certification for imports into Switzerland, except those from equivalent countries.

Switzerland also participates in the TRACES system. For the analysed key smallholder commodities, the Swiss import volumes are shown in a table in Annex 3.3. Swiss import volumes are also shown in the product analysis in Chapter 5.

7.3 European importers' and processors' expectations of impacts

Awareness of changes

In the survey of European importers and processors, 46% of respondents said they were aware of the changes to the EU import system, and 46% said they were aware of some changes but had not received or looked for more information.

The interviews revealed that many traders and also organic stakeholders had very limited knowledge of the situation and challenges at the point of origin, with the exception of traders with their own production in third countries or very close relationships with producers.

Many traders also commented that the change to "compliance in exporting countries instead of equivalence" is fundamentally new and that the real impact is yet to be seen.

Residues of unauthorised substances

The measures required when unauthorised substances are detected in organic products remain a key concern for many organic traders, as highlighted in both the trader survey

and interviews in Europe. The responses given in the European trader survey with regard to the effects of the required measures in case of detection of unauthorised substances are illustrated in Figure 27: European trader survey response: measures in case of unauthorized substances/residues.

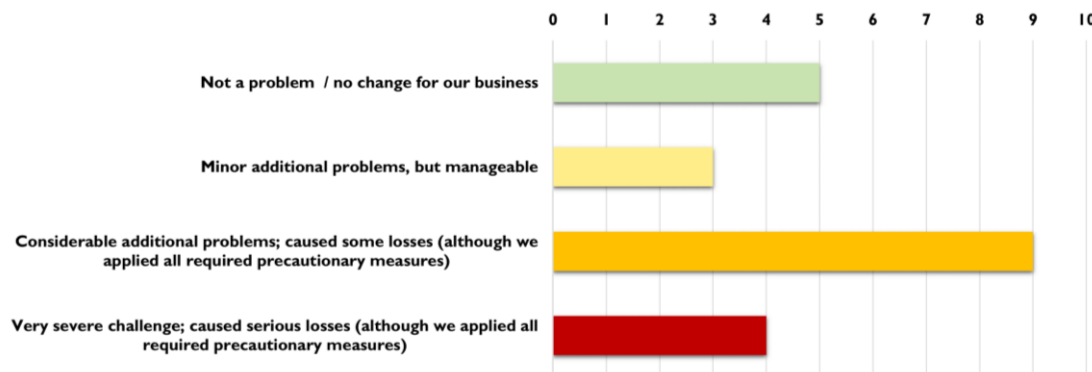


Figure 27: European trader survey response: measures in case of unauthorized substances/residues, Results of the European Trader survey.

Source: Own illustration

In the workshop to discuss implications for the German organic sector, the strict handling of residue findings in imports from third countries is also indicated as a key problem, which often leads to the downgrading or even destruction of organic products.

Expected effects on traders' organic smallholder value chains

In the survey, many traders indicated concerns that smallholder suppliers may be considering stopping EU organic certification or reducing the scope of EU certification (see Figure 28: Survey of European traders: expected overall implications of the new Organic Regulation's rules on organic smallholder supply chains). This was echoed in some interviews and in working groups during a recent workshop with German stakeholders.

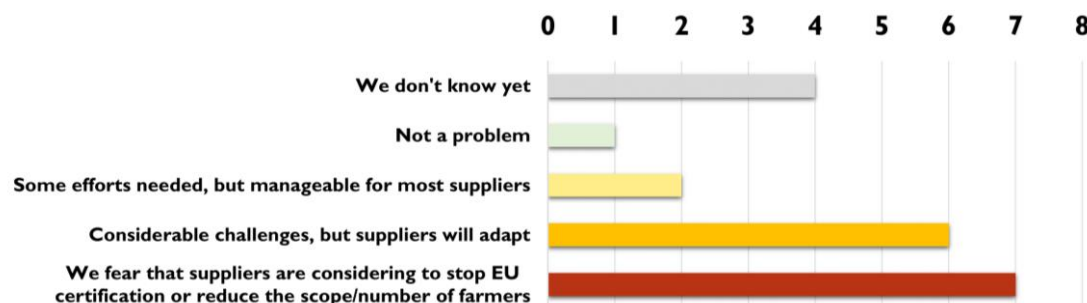


Figure 28: Survey of European traders: expected overall implications of the new Organic Regulation's rules on organic smallholder supply chains. Results of the European Trader survey-

Source: Own illustration

Interestingly the share of European importers worrying that suppliers may stop exports to the EU was higher than that of producers in third countries.

Some importers stated in the interviews that they had not received an indication of any challenges in their supply chains. Sometimes, they were not aware of the organisational setup of their supply chains to assess potential implications.

In the German stakeholder workshop to discuss possible implications, many traders raised concerns that the new rules were too bureaucratic and complex for smallholder groups and feared that smallholder supply chains would lose EU organic certification.

Expected effects on organic traders' own businesses

The majority of European organic traders in the survey considered the changes not a problem or manageable, albeit some with considerable challenges and a few who are considering reducing organic activities (see survey results in Figure 29).

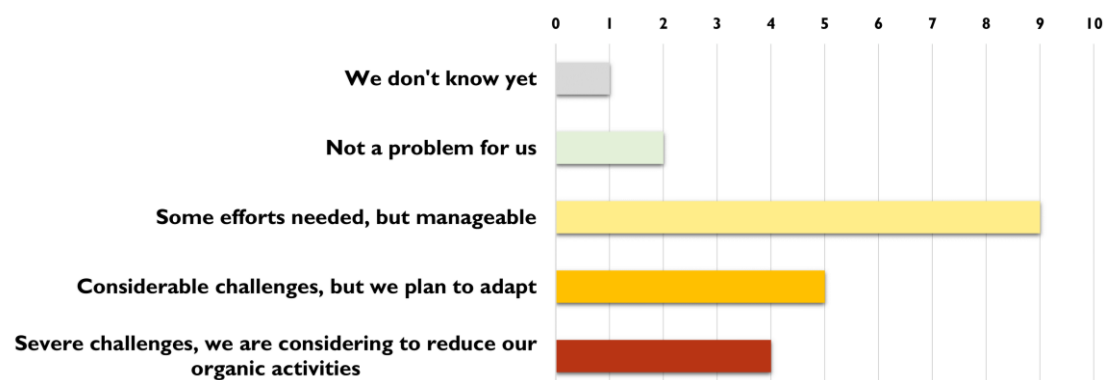


Figure 29: European trader survey: Expected overall implications of the new Organic Regulation rules on organic businesses. Results of the European trader survey.

Source: Own illustration

Expected procurement opportunities and challenges

All traders support a strict and sound third country organic certification of producer groups and individual operators. In interviews and in the workshop of German stakeholders, concerns were raised, however that the new rules are too complex and potentially disruptive for many groups in low-income countries.

Many traders do not (yet) have a precise overview of the effects on producers but fear problems with procurement in the future. Imports already take a very long time and are expected to take even longer. Traders are concerned about the potential impact on prices and availability of products, especially for coffee and cacao, which are doubly affected by the EU Regulation on Deforestation-free Products and the EU Organic Regulation. Many affected products are very relevant in the organic market, and temporary unavailability would have a negative impact on the organic market in Europe.

During the workshop in Germany and in interviews, many traders raised concerns about the delay in the recognition of organic control bodies and the uncertainty for producers certified by not yet recognised CB or those who have not even applied for recognition. Overall, the participants feared a great deal of legal uncertainty in the transition phase.

Temporary unavailability and unplannable delays in shipments due to not yet clear compliance status are expected as particular challenges during the transition years 2025 and 2026. It is to be considered that trade contracts are signed in advance. E.g. for coffee, most trade contracts for 2025 were done in September; for bananas, many contracts are concluded in October and November, and for cacao, even longer in advance. Hence, 2025 harvest contracts will need to be signed at a time when most producer groups do not know or cannot yet prove whether they will be certified under the new scheme. The problem will be particularly pressing for groups that – due to CB capacity- will be controlled for the first time under compliance only in mid-2025. Due to the uncertainty of organic certification status during the contracting season, groups may lose one full organic harvest.

In non-perishable stock products, European importers can hedge (stock) the risk of supply shortages and hence effects may not be felt immediately further up the trade chain. However, several stakeholders interviewed raised concerns that many producer groups will not survive the combined challenges of compliance and low organic sales that may result from high stock levels in Europe. Several organic-only traders fear that they will be worse affected by temporary supply shortages or disruptions as they have no non-organic marketing channels in case their organic suppliers or certain product lots lose organic status.

Many traders expect that prices for imported organic products will rise to account for the higher costs of compliance and certification. In the workshop, several stakeholders raised the concern that the higher prices for compliant organic production would need to be accommodated also further up in the value chains.

In the case of cacao, a recent ICCO cocoa study of the costs and benefits of the new Regulation found that finished product manufacturing and retail stages have a higher capacity to accommodate the rising costs due to compliance. The report pointed out that margins within producing countries are low and that accommodating the expected higher compliance costs would eat up most of the value created at origin and would, therefore, be likely to be, at least in part, passed on to the farmers. (TERO/BASIC, 2024)

8. Conclusions and recommendations

8.1 Opportunities

The new organic Regulation (EU) 2018/848 is expected to increase the integrity of organic products in the EU and beyond in the medium and long term and to “level the playing field” by setting consistent harmonised rules for all operators and Groups of Operators, both in Europe and in third countries.

Producer groups meeting the new requirements could ultimately benefit from an improved market position and a less competitive “race to the bottom”.

Additionally, the status of group certification will become more transparent, which is expected to enhance market oversight and improve data availability. Each certificate will be issued to either an “operator” or a “Group of Operators” in the new TRACES database (third-country certification portal). Hence, exact data on the number of certified groups (at least for the EU market) will become available, which is currently lacking (see also chapter 4.1.1)²¹.

Increased clarity on the rules and harmonised implementation was a desire of all stakeholders across the board, from the EU to consumers, to third country producers. In the survey of third country producers and traders, between 30% (other stakeholders) and 40% (third-country producers and traders) of participants considered clearer and more consistently controlled rules an opportunity.

The stronger rules for organic production benefit European organic farmers and consumer interests by setting the same bar and “levelling the playing field” for third country organic production. Several interviewed experts strongly supported the need for a complete “re-set” of the EU organic import system to prevent fraud and ensure that only organic operators and Groups of Operators which fully meet the standards supply the European organic market.

Having one set of rules is also an opportunity for organic third-country producers, many of which raised concerns about differing certification standards and arbitrary decisions.

In the international survey and the survey of other stakeholders (e.g. authorities, organic control bodies or consultants), about 50% of the respondents indicated that the new rules should improve organic integrity along the supply chains (see Figure 30) This key opportunity is echoed also in many interviews. More than 40% of the third-country survey respondents and many interviewed stakeholders also see the new Regulation as an opportunity to strengthen truly organic farming practices.

²¹ The list of members is an (optional) annex to the certificate, but the total number of members – which would be very helpful for better data on organic production – does not seem to be systematically collected as data.

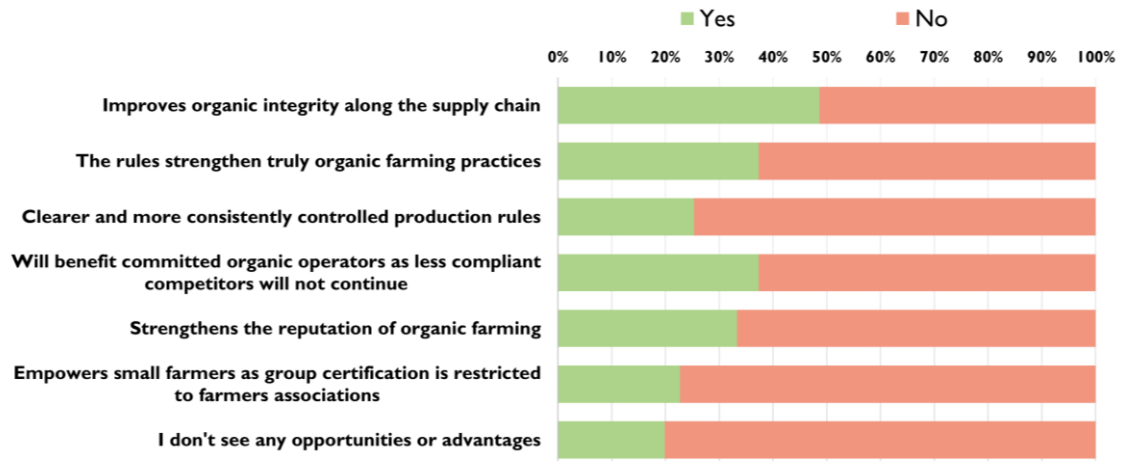


Figure 30: Results of third country producer groups and operators survey: Opportunities of the new Regulation -

Source: Own illustration

Another opportunity for producer groups mentioned in interviews and training courses was the restructuring of groups. Operating in smaller group units will mitigate the risk of de-certification/suspension of the whole group in case of non-conformities of single operators. With the split into several group entities, some groups may also choose to work with multiple certification bodies for different legal entities to mitigate risks.

In some European interviews, stronger control of third-country supply chains to address well-known integrity problems was highlighted as a key opportunity. The majority of the European traders in the survey however, didn't see many opportunities under the new rules for their operations.

8.2 Key challenges

In summary, the key challenges for smallholder value chains to adapt to the new Regulation can be summarised as follows:

Legal & organisational adaptation to Group of Operator rules

- Around 70% of small producer groups that are currently certified²²) will need to adapt their legal setup, group composition and/or certification setup in 2024 to supply the EU organic market.
- For many farmer associations, the required changes to adapt their organisational setup into several entities may be too daunting (complex, with economic and other unforeseeable consequences, including tax effects) if they have relatively low organic sales and/or price benefits of organic certification.

²² Around 800-900 producer groups with ICS and 400-500 small groups in Turkey and in further Mediterranean countries are supplying the EU organic market.

- For farmer associations, the cap in farm size/turnover as well as group size, combined with the prohibition of having both organic and non-organic members in the farmer organisation, may be another deterrent for continuation of certification.
- For processors/exporters operating organic producer groups, the transfer of more responsibility to farmers' associations without commercial or technical experience and capacity is a challenge. Considerable investments and annual cash flow are needed to achieve and maintain organic certification. Subsequently, the commercial risk for operating organic supply chains in Europe will increase.
- Setting up new legal entities to meet the new Group of Operator rules requires a case-by-case analysis of available legal options, and legal advice. Registration can be very complicated and/or take a very long time in many countries.
- Many farmer organisations and exporter-led groups, especially in Africa and Asia, seem to not fully understand the necessary changes needed to reach compliance with the new Regulation. The risk is that organisations implement measures which are not necessarily needed but cause commercial problems and lower profitability (see recommendations in chapter 4.1.2)

Combined effects on smallholder access to the European market

- Organic small & medium farm supply chains are likely to drop or lose EU organic certification in 2025/26 due to the combination of legal adaptations required, price pressure, lower demand, higher costs, and stricter new rules. Supply chains with low organic sales to Europe and/or low profitability of organic production seem more likely to give up.
- Many of the trader-organized supply chains, as well as farmers' associations that continue EU certification, are likely to reduce the number of farms certified for the European market (see Chapter 4.4). This begins to show on the market as producer groups sign contracts only for considerably lower volumes.
- Though not intended, stakeholders in the producer countries expect that the new compliance system will reduce smallholder market access. Many very small organic farms may lose access to the EU organic market, as future compliance costs and efforts will be too high compared to the volumes provided. The changes are likely to exclude some well-organized family farms which are “too big” to benefit from group certification under the new rules but “too small” to afford individual certification and comply with complex rules.
- In many producer countries, the effects of potentially thousands of long-term organic farmers giving up or losing organic certification or access to the EU market are expected to have sustainability and livelihood implications for rural areas. It can also change agricultural production on a national level as producers consider uprooting export crops and reorienting towards domestic consumption and more profitable crops and/or towards other markets.

- Cocoa and coffee producer organisations are confronted with significant administrative and financial challenges as they must adapt their operations to the new requirements of the EU's Regulation on Deforestation-free Products (see Chapter 3.6) and the new Organic Regulation.
- Many farmer organisations do not have financial reserves to invest in the necessary adaptations and struggle to implement the new system under the given time pressure (even more so if they need to adapt to the new EU Regulation on Deforestation-free Products, too).

Product availability/supply chain disruptions

- Many experts and importers with insights into the situation in third countries expect a reduction in organic product availability or a re-orientation towards North American or Asian markets.

Costs of certification and product prices

- The higher costs for compliance and certification, the high risk of products losing their organic status, and the expected short or mid-term shortage of organic goods will likely lead to higher market prices for organic products in Europe. However, effects may vary for different products and origins.

8.3 Recommendations to support adaptation to the new rules

Recommendations for organic traders and the European organic sector

- **Information to suppliers:** Traders in Europe are advised to reach out to their suppliers to provide information on the new rules and signal their support in the adaptation phase. A list of available resources for producer groups and their trade partners can be found in Chapter 9.
- **Supporting the transition to compliance:** There are many uncertainties for producer groups for the coming season beyond their control, e.g. when their compliance certificate will be ready and future costs. Trade partners can consider this challenging situation in contracts and share risks.
- **Accommodating higher compliance costs in the value chain:** Fair prices at all stages of the value chain are important to cover the additional costs of the higher quality and control requirements expected by the European market and will ultimately support the reliability of the supply chain.
- The organic sector and biopesticide manufacturers can support organic producers in third countries by applying for authorisation of locally used plant extracts²³.

²³ E.g. COLEAD is working in a collaborative effort to coordinate efforts for key substances used in ACP countries. (Lehmann, 2024).

Recommendations for policymakers

- **Compilation of regulatory rules for organic production in third countries:** An official EU summary of applicable production rules for third countries or a “consolidated version for operators and Groups of Operators in Third countries” should be compiled. To enhance readability, this document should include only the third-country-relevant articles of the basic act and applicable secondary legislation rules. Ideally, this summary would also reference the European Commission’s frequently asked questions on organic production for further clarification on specific requirements. Such a compilation for third-country readers would facilitate adaptation to and compliance with the new Organic Regulation.
- As the FAQ on organic production provides important clarifications also for third country producers, consideration should be given to making it available in several languages (e.g. in French and Spanish).
- **Official and regular training courses on regulation 2018/848 by the European Commission** for control bodies, operators and Groups of Operators in an adapted regular online format would be useful, too. This could be similar to BTSF Academy courses but online and adapted to applicable rules in Third countries ²⁴.
- **More detailed data on group certification:** The new compliance scheme and the new third country CB certification portal in TRACES will greatly improve data on organic production in third countries. To further improve transparency and statistics on group certification, the field “number of members in the Group of Operators” could be added to the certification portal database to allow for annual aggregated data on the number of certified operators, Groups of Operators and their members (with area and products).
- **Adjustments of selected requirements** in the ongoing legislative process
 - Authorized substances for plant protection: Regulation 2021/1165 on authorised substances should be revised as soon as possible to allow for the further use of products that have been accepted so far as being equivalent to the EU rules but not listed yet as they are not needed under the European conditions (see chapter 3.3, 4.2).²⁵
 - High-Risk-Country approach: A current draft amendment for Regulation 2021/1698 proposes to amend the rules with regard to the future high-risk list and sampling in high-risk countries. The criteria and the process of risk classification should be made transparent.
 - Organic turnover limit for members in a Group of Operators. The organic turnover limit of € 25,000 in Art 36.1 was set in 2017. It is a key restrictive

²⁴ E.g. the USDA provides public webinars on NOP by officials to explain rules and clarify questions.

²⁵ See the recommendations given in the EGTOP Report IX on Plant protection (EGTOP, 2023)

criterion for group membership for many thousands of organic smallholders with land holdings of more than 5ha and also for small European farms. Given inflation rates and increased production costs of recent years both within the EU and in producer countries, as well as increasingly volatile world market commodity prices and exchange rates, it seems important to review and adjust the threshold as a criterion for membership in a Group of Operators to current price levels at regular intervals. It could be considered to set the organic turnover averaged over two to three years, rather than one calendar year, as a criterion for membership in a Group of Operators.

- Depending on the progress of issuing compliance certificates of Groups of Operators in 2025, the extension of the derogation period should be re-considered for imports to avoid major supply disruptions and hardship for producer groups.

Recommendations for additional support and training programmes

There is an urgent need for training, technical advisory, and support programs for organic producer groups and traders in many countries. These initiatives would help them adapt their processes and structures to comply with new EU regulations.

- **Train-the-Trainer Programs:**
Implementing train-the-trainer programs for local consultants and local organic support organisations to fully understand all new requirements in detail is crucial to rolling out and scaling up training and support activities. The training courses should also involve local organic control bodies to ensure a common approach and interpretation of the rules. Complementary, a multi-expert technical helpdesk to address complex technical questions from local trainers and/or operations in the transition process would be helpful.
- **Country or regional ICS training courses for ICS managers and ICS inspectors** to strengthen ICS and align to the new EU rules in all key smallholder production countries. Training could be, e.g. based on a recognised updated international training tool kit (e.g. by IFOAM – Organics International and FiBL, with review by a BTSF expert) but should be adapted for the local context and implemented by the national organic movement and/or organic consultants.
- **Regional and/or sector-specific organic practice guides for organic production under regulation 2018/848:** Regional organic practice guidelines (e.g. for cocoa in Latin America) aligned with EU standards and considering local and regional conditions would be highly beneficial.
- **Updating existing guidance and training resources on organic production for export:** Many existing guidance and training resources on organic farming for export market access must be updated to reflect the new EU rules.
- **Targeted financial and legal support for smallholder producer groups:** Contribution for initial adaptation costs and investments and/or legal and

commercial advisory services for the adaptation would be highly beneficial. Most organic producers do not receive subsidies for organic farming, and many face considerably higher costs and uncertain market prices. Support payments to cover higher compliance costs, at least for a limited time, would make a big difference.

- **Cooperation among support programmes:** Cross-sector and cross-institutional cooperation is strongly recommended to provide effective technical, legal and commercial support to hundreds of groups on short notice.²⁶

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²⁶ For example, Fairtrade producer networks will support Fairtrade organic producer organisations also with the implementation of organic rules, and COLEAD plans to coordinate applications for authorization of substances for third country use in organic farming.

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9.2 Resources for producer groups

Interesting resources on the new EU Regulation for producer groups and their trade partners to help in adaptation to the new rules:

- FiBL training handbook on the new EU Regulation for producer groups with 3 modules (1. Introduction and group of operator rules, 2. Organic production rules, 3. ICS requirements: <https://www.fibl.org/en/shop-en/1270-eu-organic-regulation>
- AGRINFO: The new EU regulation explained: <https://agrinfo.eu/book-of-reports/new-eu-organic-regulation-explained/> (with introduction and links to secondary acts)
- Vade Mecum on Official Investigation: Report on common contaminants, laboratory analysis, potential sources and pathways of contamination and official investigation in organic products according to the new EU regulation: https://www.organic-integrity.org/fileadmin/files/A_Vade_Mecum_on_Official_Investigations_in_Organic_Products.pdf?v=1722947301
- Fairtrade International: Adaptation for Fairtrade organic producer organisations (English & Spanish): <https://www.fairtrade.net/standard/eu-organic-regulation-2018-848-adaptation-options-for-organic-fairtrade-certified-pos>
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- ICCO Cost & Benefit Analysis of the new regulatory changes in organic production in cacao: available in English, French & Spanish at: <https://www.icco.org/icco-documentation/#publications>
- FiBL and Agrocalidad Report on the implications of the new EU organic regulation on the organic sector in Ecuador with an explanation of many new requirements. Summary and link to the full report (in Spanish): <https://www.fibl.org/en/info-centre/news/impact-of-new-eu-organic-regulation-ecuador>

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- **FiBL contributors:** Johan Blockeel, Helga Willer, Bernhard Speiser, Olivier Ejderyan

- **Regional case study experts:** Roberto Joaquín Salazar Córdova (Peru), Ernestina Mensah-Pebi (Ghana), Zaoui E. Housseine (Morocco)
- **Editing:** Helga Willer, Elsa Kanner, Andreas Basler
- **Other experts²⁷:** Sigrid Alexander, Patrik Aebi (BLW), Alina Amador (Fairtrade International), Tanja Barbian (BÖLW), Lea Bauer (IFOAM Organics Europe), Teresa Blanco (Bolivia), Marike de Pena (CLAC, Dominican Republic), Sebastian Dreschner (BNN), Ute Eisenlohr and Sonali Pandithasekra (Dr Bronners, US), Antoine Fauvret (Ecocert, EOCC), Simon Heisig (ITC), Meltem Işıldak (Turkey), Andreas Kratz (Fairtrade International), Edouard Lehmann (COLEAD), Alberto Levy (IMOCert Bolivia), Gabi Losoto (Costa Rica), Farzaneh Mahdipour (bio.inspecta; EOCC), Tom Nizet (Authent Ltd), Vitoon Panyakul (Thailand), Marike de Pena (CLAC), Aurelie Quintin (EOCC), Marian Renkins (COLEAD), Elisabeth Rüegg (Turkey), Veronica Santillan (Agrocalidad, Ecuador), Johanna Stumpner (AöL), Vlad Zhmailo (IFOAM – Organics International), Morag Webb (COLEAD).

II. Annexes

Annex 1: Methodology

Annex 2: Additional information on Group of Operator requirements and selected organic production rules

Annex 3: Analysis of smallholder crops and countries

The annexes can be found at <https://orgprints.org/54313> by the end of November. If you want to be notified when the annexes will be published, you can send an e-mail to f.meinshausen@fibl.org.

²⁷ The list of experts acknowledged for contributions to this report in alphabetical order does not include all stakeholders and/or experts interviewed for this study.