EU Policy Update (EU2014.01)

Organic Production and Labelling of Organic Products

Introduction

On 24 March 2014 the European Commission published its package of legislative proposals for a ***Regulation of the European Parliament and of the Council on organic production and labelling of organic products***.

The proposals follow a public consultation on the future of the EU's organic food sector. In broad terms, the proposals aim to limit the administrative burden of organic production and improve or maintain consumer confidence in organic products, in particular through the removal of derogations and exemptions allowed under current Council Regulation (EC) 834/2007[1].

In addition to the regulatory proposals, the Commission has published an **Action Plan** on the future of Organic Production in Europe.

Summary of main points in proposal

The European Commission states that the main objectives of the proposals are:

- **removing obstacles** to the sustainable development of organic production in the Union;
- **guaranteeing fair competition** for farmers and operators and allowing the internal market to function more efficiently;
- **maintaining or improving consumer confidence** in organic products.

[1] ***OJ L 189, 20.7.2007*** [accessed 29 October2014]

Other stated expected outcomes include:

- **clearer and simpler production rules**, with the aim of making the sector more attractive to new farmers
- **a harmonisation of rules** and the recognition of control bodies in third countries, with the aim of making competition fairer and enhancing controllability and reducing complexity in legislation and trade rules
- **the removal of exceptions to rules**, such as the presence of non-authorised substance residues in organic products, as a response to incidents of organic fraud
- **A risk-based approach to controls and import regimes** aimed at improving the effectiveness and efficiency of controls in tackling issues of fraud
- A continuing emphasis on **positive environmental impacts and animal welfare conditions**

Key Legislative Changes

Changes to production rules

Council Regulation (EC) 834/2007 permitted the possibility for certain types of retailers to be exempt from production rules. However, according to the new proposals:

> …The experience gained from the application of those provisions has shown that such exemptions have a negative impact on organic production. In particular, it has been found that the very existence of such exceptions impedes the production of inputs in organic form and that the high level of animal welfare associated with organic production is not ensured…. the existence of exceptions has created conditions for distortions in competition and has threatened to undermine consumer confidence.

In particular, the Regulation proposes that, after a short conversion period, holdings must be exclusively organic with no conventional farming activity taking place on them.

The Regulation also proposes that exceptions which, under certain circumstances, allow the provision of non-organic feed to livestock be removed. Therefore, livestock must be provided with organic feed composed of agricultural ingredients from organic production and of natural non-agricultural substances.

Control systems

As part of a shift towards a risk-based approach for control, the Regulation also proposes the removal of yearly physical inspections to check operator compliance. This is designed to reduce costs and the administrative burdens for compliant operators.

A system of group certification for small farmers in the EU is intended to lead to more proportionate inspection and record-keeping and encourage more small farmers to join the EU's organic scheme.

The Regulation would also require all operators along the organic chain to be submitted to the control system. This would remove the ability for national competent authorities to exempt certain retail operations from the need to comply with organic certification requirements where fraud or contamination is deemed unlikely to take place.

Trade in organics

A key focus of changes in trade rules is to improve the level playing field for the organic operators of the EU and in Third Countries and to better ensure consumer confidence.

A system of equivalency agreements is proposed whereby organic production rules in third countries are recognised as equivalent to those of the EU. Reciprocal agreements would be sought with these third parties with the aim of improving the access of Union organic products to the international market, as well as facilitating the import of organic products into the Union that meet product compliance standards.

As control bodies shift towards a compliance regime, imported products would have to adhere to a single set of EU production rules.

Action Plan

The **Action Plan** covers the period up to 2020 and aims to prepare the industry for the new regulations.

The Action Plan focuses on three priority areas:

1. increasing the competitiveness of EU organic producers
2. consolidation of consumer confidence and trust in EU organic food and imported organic products
3. reinforcing the external dimension of the EU organic production scheme

Background context to proposal

A principle-driven sector

Within the EU, organic farming must adhere to a strict set of governing principles designed to minimise human impact on the environment whilst ensuring the agricultural system operates as naturally as possible.

Organic production must respect natural cycles, aiming to achieve sustainable production through biological and mechanical processes and without genetically modified organisms (GMOs). 'Closed cycles', which use on-farm organic resources, are preferred over 'open cycles' using external resources. External resources should also be organic and chemical synthetic resources are permitted only when suitable alternatives are lacking.

Foods may only be marked as 'organic' if at least 95% of their agricultural ingredients are organic. Packaged organic food must display the EU organic logo and the place of production of the agricultural ingredients must be indicated.

Growth of the organic sector

The organic sector within the EU has been rapidly developing; the total area cultivated as organic increased from 5.7 million hectares in 2002 to 9.6 million hectares in 2011 – 5.4% of the total agricultural area in the EU. The number of organic holdings increased almost tenfold during 2003-10 and in 2011 270,000 organic operators were registered in the EU[2].

The legislation

The Union adopted its first legislation on organic production in 1991 (Council Regulation (EEC) 2092/91)[3], which provided a legal definition of organic production and a basis for protecting consumers and organic producers from false and misleading organic claims.

The Union has since adopted Council Regulation (EC) No 834/2007, which further outlines the objectives and principles of organic production. Greater emphasis was placed on achieving high standards of environmental protection, biodiversity and animal welfare and, significantly, the possibility of exceptions to the rules were introduced by ending national rules for animal products.

A review[4] of Council Regulation (EC) No 834/2007, conducted as part of the Commission's Regulatory Fitness and Performance Programme suggested that the existing rules could be simplified and regulatory costs could be reduced.

The review highlighted concerns that legislation has not kept pace with organic market expansion. The Council adopted conclusions on the Commission's report in May 2013 which specifically targeted ways of making the current legal framework clearer and simpler.

[2] **European Commission, Facts and figures on organic agriculture in the European Union** [accessed 29 October 2014]
[3] *OJ L198, 22.7.1991* [accessed 29 October2014]
[4] IFOAM EU Group (2012) *European Organic Regulations (EC) No 834/2007, 889/2008 and 1235/2008: An Evaluation of the First Three Years Looking for Further Development. Brussels*: IFOAM EU.

Relevance to Wales

At the end of 2010, there were over 1,000 organic farms in Wales and approximately 8% of total land area was managed organically or in conversion to organic management; a comparatively higher proportion than in England, Scotland or Northern Ireland[5]. In 2012, Wales had the second largest share of organic operators in the UK after the south-west of England[6]. Whilst the area under organic management increased by more than 50% during 2006-10[7], the area under conversion fell during 2010 and there was around a 25% decline in farm businesses choosing organic farming as their preferred business model[8].

At a retail level, the UK market in organic products has declined significantly since 2007. The Welsh Government attributed this to the combined impacts of the recession and, latterly, challenging weather conditions leading to low productivity and high feed costs[9]. In 2012, there was a 5% decline in organic farm producers in Wales followed by a further 15% decline in 2013[10].

The UK Government is the competent authority in respect to the Regulations and will consult with the Welsh Government in the administration and enforcement of the proposals.

[5] **Organic Centre Wales** [accessed 29 October 2014]
[6] Department for Environment, Food & Rural Affairs (DEFRA) (2013) *Organic farming statistics 2012*. London, DEFRA.
[7] Department for Environment, Food & Rural Affairs (DEFRA) (2013) *Organic farming statistics 2012*. London, DEFRA.
[8] Welsh Government, Alun Davies (Minister for Natural Resources and Food), Cabinet Written Statement, 6 February 2014 [accessed 12 May 2014]
[9] Welsh Government, Organic Farming Support 2015-2020, Consultation Document, 21 January 2014[accessed 13 May 2014]
[10] Welsh Government, Organic Farming Support 2015-2020, Consultation Document, 21 January 2014[accessed 13 May 2014]

Support for organic farming in Wales is currently provided through Glastir. The Welsh Government consulted on its proposals for organic farm support under the next RDP in November 2013. In a statement published 6 February 2014[11], the Welsh Government announced the outcomes of the consultation. This included the extension of existing conversion and maintenance payments for organic farmers into the next RDP 2014-20, as a stand-alone Glastir Organic scheme.

Key areas of interest in the Commission's proposals new Regulations for Wales will be:

Proposals for holdings to be exclusively organic: currently operators may be allowed to grow conventional produce parallel to organics if it is shown to be necessary to keep their business viable. Under the new Regulations, however, operators wishing to produce organic products will have to manage the entirety of their holdings in compliance with the requirements of organic production. This will prevent any conventional farming from also taking place on the holdings. The Regulations contain proposals for a transition period to allow operators to adapt their practices without putting a specific timeframe on it.[12] Anecdotal evidence suggests that the UK may have a higher proportion of organic holdings that practice both organic and conventional activity relative to other EU Member States; according to Chris Atkinson, head of standards at the Soil Association, 15% of organic farms operate both organic and conventional units[13].

Removal of non-organic feed derogations: the Regulations propose that organic livestock must be provided with organic feed exclusively, removing derogations for the allowance of the temporary use of conventional foodstuffs, such as those provided during adverse weather conditions. An estimated 80% of Welsh organic farmers keep cows and sheep for meat production. The Welsh Government has previously highlighted high feed and seed costs as a threat to growth in the organic sector[14].

UK Government position

The UK Government published an Explanatory Memorandum (EM) setting out its reaction to the Commission's proposals on 25 March 2014.

In its EM, the UK Government points to some potential positives to the UK organic sector that could arise from some of the proposals, which includes:

- a shift to a risk-based approach for controls benefiting UK organic operators by reducing costs through the removal of annual inspections;
- the introduction of defined actions for non-compliance leading to a level playing field across EU Member States;
- mutual agreements between the EU and third countries potentially reducing barriers for UK exporters;
- the introduction of group certification benefiting some small operators in the medium to long term; and
- increased consumer confidence and increased demand for organic products.

[11] Welsh Government, Alun Davies (Minister for Natural Resources and Food), Cabinet Written Statement, 6 February 2014 [accessed 12 May 2014]
[12] **Organic Centre Wales** [accessed 12 May 2014]
[13] Farmers Weekly, **Organic overhaul proposals may disrupt poultry sector** [accessed 29 October 2014]

[14] Welsh Government, Organic Farming Support 2015-2020, Consultation Document, 21 January 2014[accessed 13 May 2014]

However, the EM also highlights UK Government concern that stricter production rules may actually increase non-compliance, as the likelihood of inspection is less probable and there will be a net reduction in the number of operators inspected. The EM also suggests that the removal of certain exemptions, particularly those regarding the provision on non-organic feed, could also lead to increased production costs for UK operators and that this may limit the entry of small farmers into the UK organic sector.

The EM particularly raises the UK Government's concern over proposals to remove exceptions that allow parallel conventional-organic farms. The UK Government considers these types of business to be more prevalent within the UK organic sector than elsewhere within the EU and states that removing this allowance could have a negative impact on organic land area within the UK.

The Department for Environment, Food and Rural Affairs (DEFRA) is currently in the processes of discussing the implications of the proposals at industry focus groups and sector specific stakeholder meetings.

Welsh Government

The Welsh Government has stated that it has consulted with DEFRA on the draft regulations to ensure that the concerns of the devolved countries are captured in future UK-EU negotiations. The Deputy Minister for Food and Farming has stated that the proposals as drafted could have both positive and negative impacts on Wales. The Welsh Government has welcomed the proposals on a risk-based approach to inspections but has expressed concern about the removal of the non-organic feed derogation.

Key stakeholder reactions

Organic Farmers & Growers (OF&G) Ltd **announced a supporting position** with regards to the proposals, pointing towards benefits to the sector offered by the streamlining of regulations and removal of legislative obstacles.

The International Federation of Organic Agriculture Movements (IFOAM) **is supportive of the Commission's 'admirable aims'** and states that there are a number of 'good ideas in the proposals'. However, IFOAM has also stated that the new Regulation does not strengthen the legal and political framework enough for organic products and recommends the creation of a new Organic Action Plan and new Organic Regulation.

Conversely, **the National Farmers Union (NFU) considers existing Regulation to be already very stringent** and raises concern that the proposed new Regulations could threaten growth in the sector. The NFU highlights the revision of animal feed to become 100% organic as a particular challenge as, the NFU states, some livestock, such as pigs and poultry, require a nutritionally balanced diet.

Copa-Cogena – a collaborative group of over 90 EU farmers' and agricultural organisations – has presented a similar stance on the proposals as the NFU, in particular viewing the removal of the allowance for parallel organic-conventional farming as a potential threat to the sector15. Copa-Cogeca Secretary-General Pekka Pesonen stated:

> ...in many regions, farms often convert into organic farming in a series of stages, for various reasons, like economic or structural reasons. Without the ability to adapt gradually to organic production, it will put the brakes [sic] on the development of the sector.

Progress of dossier in European institutions

This section will be updated as the negotiations take place in Brussels and the official positions of the EU Institutions become clear.

The proposals were first published on 24 March by the Commission. The proposals are subject to the ordinary legislative procedure (ex- co-decision procedure) where both the Council and European Parliament have to reach an agreement on them.

European Parliament

On 3 September 2014 the proposals were assigned to the Agriculture and Rural Development Committee of the European Parliament and Martin Häusling was appointed as Rapporteur.

[15] Copa-Cogeca, Press Release, *New EU legislation for the organic sector must promote European organic production*, 25 March 2014 [accessed 13 May 2014]

European Council

The Agriculture and Fisheries Council held discussions on the proposals on 24 March and 14 July 2014. Further discussions will take place on the proposals in the Council's November and December meetings. The Italian Presidency has identified reaching agreement on the package as one of its key priorities. The Farm, Food and Forestry Minister, Maurizio Martina, has stated that the Council could agree on the proposals by the end of this year.

Further information

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