

THE CONDITION OF ORGANIC FARMING AND MARKET OF ITS PRODUCTS IN THE EUROPEAN UNION

Joanna Smoluk-Sikorska

Poznań University of Life Sciences

Abstract. The quantity changes in organic farming in the European Union countries in regard to the number and area of organic agricultural holdings were shown in the paper. The regulations and system of financial support for organic farming were presented as well. The article also presents the market of organic products in the European Union countries and compares the organic market in Western Europe and the new member states as well.

Key words: organic farming, legal regulations, financial support, market of organic food, European Union

INTRODUCTION

Organic farming is one of the fundamental elements of sustainable development of rural areas. Opposite to conventional agriculture basing mainly on economic goals, it attributes the biggest importance to short- and long-term environmental goals. In relation to many benefits, both environmental and socio-economic, it is believed to be a very important factor of rural areas population situation improvement.

It is estimated that currently organic farming is developed in about 140 countries, whereas the organic farming area amounts to over 32 mln ha, from which almost 1/4 is situated in the European Union [Willer and Kichler 2009]. In this region the organic production has been legally regulated and supported by the state for many years. The organic food market in the EU is characterised by relatively large demand, efficient distribution chains and wide range of the offered products. Nevertheless, in the Central

and Eastern Europe member states there exist obstacles of organic market development, in particular in consumption and distribution sphere. Therefore there is a need for activities directed at improvement of the sales and growth of the demand for organic products in these countries.

REGULATIONS AND SUPPORT OF ORGANIC FARMING IN THE EU

The dynamic organic farming development in the EU mainly results from the existence of the legal regulations and wide financial support. The first regulation on organic production rules and the indication of organic farming was the Council Regulation (EEC) No 2092/91 of the 24th of June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs, which particularly referred to [Council... 1999]:

- rules of organic production and permitted substance applied in organic farming,
- guidelines concerning processing, framing the allowed content of additives,
- rules of producers' and processors' inspection,
- indication of organic food,
- rules of import, particularly from the third countries.

In 1999 the Council Regulation (EC) No 1804/1999 of the 19th of July 1999 supplementing Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs to include live-stock production amended the Regulation 2092/91 in the area of animal production, processing, indication and distribution [Council... 1999].

However, the changing economic and social conditions caused, that former organic farming regulations required further amendments. In spite of the fact that Regulation 2092/91 and 1804/99 had formerly played a significant role in the development of the organic farming common concept, they did not involve all aspects of the organic production. Therefore, the Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91 was resolved. It mainly refers to [Council... 2007]:

- unambiguous defining the objectives and principles of organic production while accounting for local conditions and stages of development,
- assuring that the objectives and principles apply equally to all stages of organic livestock, aquaculture, plant, feed production and the production of organic food,
- clarifying the GMO rules, notably that the general GMO thresholds apply,
- rendering compulsory either the EU logo or – in its absence – a stylised indication EU-ORGANIC,
- reinforcing the risk-based approach and improve controls,
- improvement of the free circulation of organic food,
- developing permanent import rules.

The regulation came in force in 2009. It constitutes the basis for future changes in organic farming regulations, among others in the list of the allowed substances, inspection and other detailed regulations.

Parallel with the regulations concerning organic farming the activities aiming at support for this production method were undertaken. The most important elements of

organic farming support policy are agri-environmental programmes, under which the financial compensations for environmental activities, maintaining natural resources and elements of cultural heritage of rural areas are paid. Initially they were regulated by the Council Regulation (EEC) No 2078/92 of the 30th of June 1992 on agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside [Council... 1992], which introduced many possibilities for support in form of so-called schemes (among others organic farming scheme) that consisted of diverse undertakings surpassing the Code of Good Agricultural Practice and simultaneously favouring the environment and rural landscape [Łuczka-Bakuła 2007].

In 1999 the next Council Regulation (EC) No 1257/1999 of the 17th of May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations was resolved [Council... 1999]. It defined the aims of the agri-environmental programmes, participation conditions, payment level and inspection rules. The support under this programme was financed by the EAGGF.

The largest number of organic farms benefiting from the support was observed in Austria, Sweden and Italy, whereas the largest organic area covered by the support – in Sweden, Germany, Austria, the Great Britain and Italy. In turn, the most funds for organic farming support were spent in Austria, Sweden, Germany and Italy. The member countries were not limited in the area of the detailed measures in agri-environmental programmes. Therefore the payment rates or the support conditions were different in particular countries. In 2003 the payment rates amounted from 35 euro/ha (the United Kingdom) to 404 euro/ha (Greece) [EU Rural... 2006]. Some countries directed the aid at the defined production types and differentiated the payment rates, mainly according to market demand (e.g. for fruit and vegetables).

At present the support rules resulting from the agri-environmental programmes have changed. In 2005 the Council Regulation (EC) No 1698/2005 of the 20th of September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) was resolved, which came in force in 2007 [Council... 2005]. The aim of the fund is to promote the sustainable development on rural areas in the EU. Its realisation is based on the embracement of rural areas development in uniform financial (creating one financing source) and programme frames (defining common priority axes for member countries). These frames are to assure the simplification of the administration system and introduction of the integrated approach to the process of programming through accepting the main guidelines for rural areas development in all member countries. One of the most important goals of the EAFRD support, constituting the second axis, is the environment and landscape condition improvement. This axis also includes the organic farming scheme.

In 2004 the Organic Farming Action Plan was accepted. It sets out 21 initiatives to achieve the objectives of developing the market for organic food and improving standards by increasing efficacy, transparency and consumer confidence. The plan aims at measures such as improving information about organic farming, streamlining public support via rural development, improving production standards or strengthening research [Communication... 2004]

THE QUANTITY CHANGES IN ORGANIC FARMING IN THE EU COUNTRIES

The growth of the interest in organic farming in the European Union took place at the turn of the 80's and the 90's. It caused the increase of the organic area and the number of organic farms. Particularly the dynamics growth of organic farming followed the accepting the Regulation 2092/91 settling the rules of organic products and introduction of the support under the Regulation 2078/92 [Council... 1991, 1992] (Fig. 1). Currently the organic area in the EU amounts to over 7 mln ha and the number of organic farms – over 200 thous.

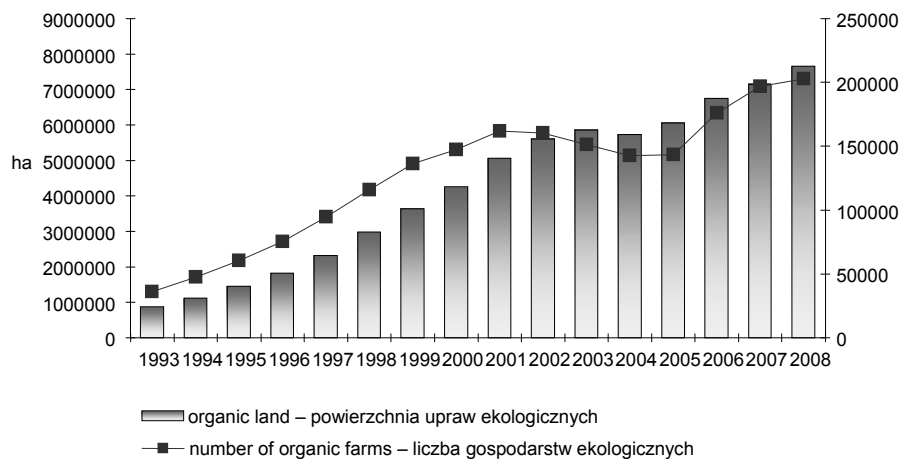


Fig. 1. Organic area and the number of organic farms in the EU countries between 1993 and 2008 (ha)

Source: author's own elaboration on the basis of www.organic-worlds.net.

Rys. 1 Powierzchnia i liczba gospodarstw ekologicznych w krajach UE w latach 1993-2008 (ha)

Źródło: opracowanie własne na podstawie www.organic-worlds.net.

In 2008 the largest organic area was noted in Spain (over 1.1 mln ha), Italy (1 mln ha) and Germany (0.9 mln ha) (Fig. 2). The largest number of organic farms was observed in Italy (over 44 thous.), Greece (24 thous.) and Spain (21 thous.). It is worth to mention that countries with large organic area and number of organic farms are mostly countries of large agricultural potential.

In turn, in 2008 such countries as Austria (17.4%), Sweden (10,8%), Estonia (9.6%), Latvia (9.1%) and the Czech Republic (8.0%) had the highest share of organic area in total utilized agriculturally area. In case of Austria and Sweden the environmental awareness is so high, that organic farming systematically gains significance. The organic farming in the mentioned Central and Eastern Europe countries is directed for export to the Western Europe markets. This fact indicates that demand barrier on domestic market resulting from low income level does not have to constitute the obstacle for organic farming development.

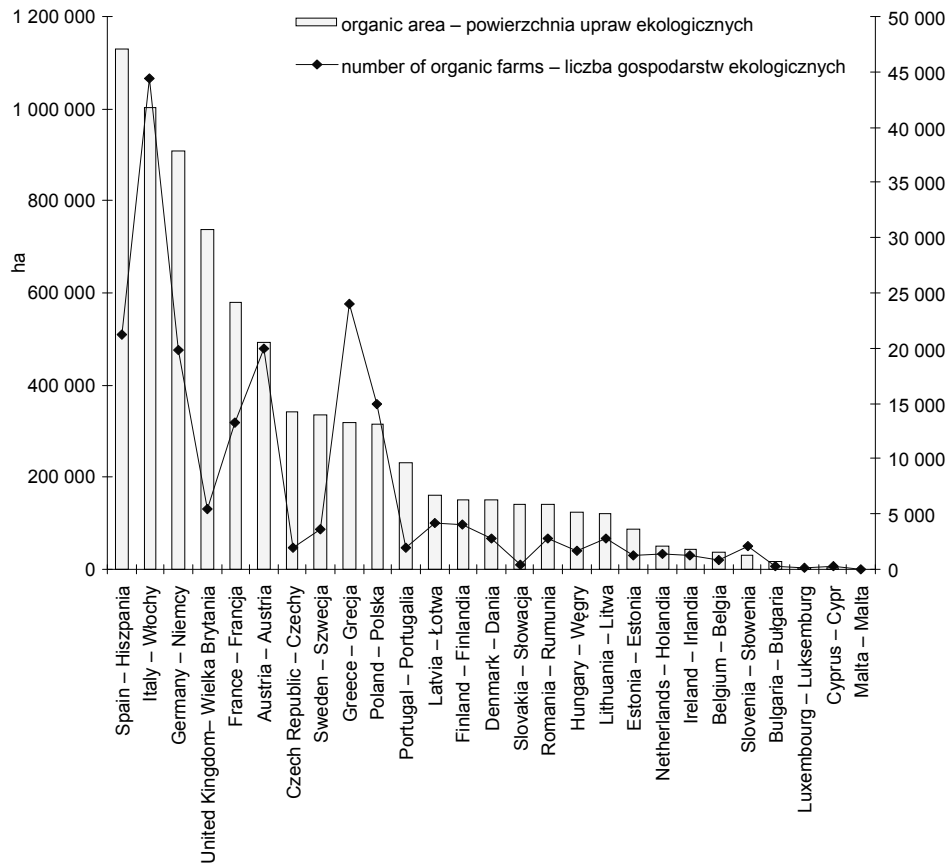


Fig. 2. The organic area and the number of organic farms in the EU countries in 2008
Source: author's own elaboration on the basis of: www.organic-world.net.

Rys. 2. Powierzchnia i liczba gospodarstw ekologicznych w krajach UE w 2008 roku
Źródło: opracowanie własne na podstawie: www.organic-worlds.net.

THE ORGANIC MARKET IN THE EU COUNTRIES

It is estimated that in 2008 the organic market in the EU reached 16.8 b. euro, which constituted over a half of global organic market value. The most significant countries on this market were Germany (5.8 billion euro), France (over 2.5 billion euro) the United Kingdom (nearly 2.5 billion euro) and Italy (almost 2.0 billion euro), which comprise over 75% of the market (Table 1). The Central and Eastern Europe countries, which total share in this market is estimated for less than 1%, have the least meaning in this area. To compare, the organic markets in the Czech Republic, Poland and Hungary amount between 20 and 70 million euro, and in Bulgaria and Romania the market value does not surpass 5 million euro. It proves the immaturity of organic market in the CEE countries and the necessity to support its development.

Table 1. The value of organic market in chosen EU countries in 2008
Tabela 1. Wartość rynku żywności ekologicznej w wybranych krajach UE w 2008 roku

Country – Kraj	Sales (mln euro) – Sprzedaż (mln euro)
Germany – Niemcy	5 850
United Kingdom – Wielka Brytania	2 494
France – Francja	2 591
Italy – Włochy	1 970
Austria – Austria	810
Denmark – Dania	724
Sweden – Szwecja	623
Netherlands – Holandia	537
Spain – Hiszpania	315
Belgium – Belgia	305

Source: www.organic-world.net.
Źródło: www.organic-world.net.

The value of market is strictly related to the population size in particular countries, however, the level of expenditures on organic food per one consumer depend on diverse factors, from which the most important ones are incomes, environmental awareness and sales strategies. In 2008 the highest level of expenditures was noted in Denmark (132 euro) and Austria (97 euro) (Fig. 3). It is worth to mention that the average consumer

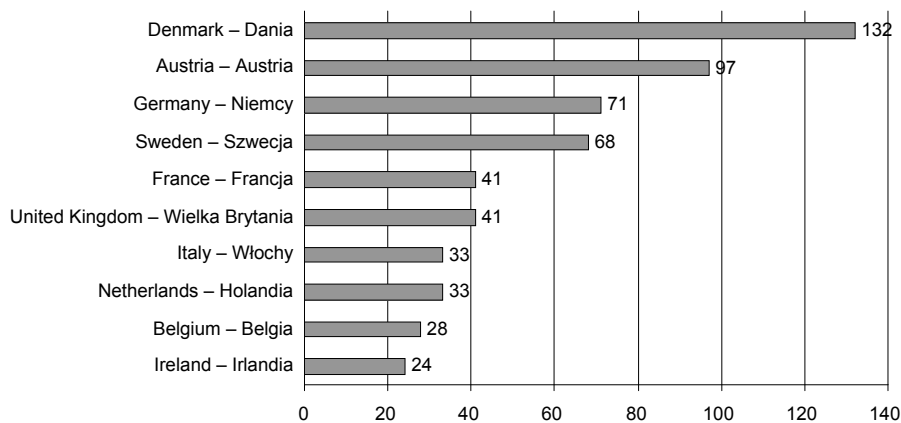


Fig. 3. The average yearly consumer expenditures on organic food in chosen EU countries in 2008 (euro)

Source: www.organic-world.net.

Rys. 3. Przeciętne roczne wydatki konsumentów na żywność ekologiczną w wybranych krajach UE w 2008 roku (euro)

Źródło: www.organic-world.net.

expenditures on organic food in Poland, Bulgaria and Romania amounts to 1 euro, in Hungary – 2 euro, whereas in the Czech Republic it totals 7 euro.

The average consumer expenditures on organic food closely correspond to the share of organic food sales. The countries with the highest share are: Denmark (6.0%), Austria (5.3%), Luxemburg (3.3%), Germany (3.1%) and Sweden (3.0%) [Willer and Kichler 2009]. In these countries the organic market is characterised by efficiently organised distribution chains, developed infrastructure (store-houses, distribution centres and transportation network), complex processing base and connections, both vertical and horizontal between the market actors. In turn, this situation results in wide assortment of products offered in diverse retail points of sale.

In countries with mature organic market, on the one hand conventional distribution chains dominate, e.g. in Denmark, Sweden, Finland, the United Kingdom or Austria they constitute from 65% to 90% share of retail sales of organic food, on the other, in Germany, France, the Netherlands, Greece, Spain and Portugal the specialist retailers play a significant role on the market. Catering outlets become more and more meaningful as well (e.g. in Italy) [Willer et al. 2008].

In the CEE member states the direct sale of organic food has the largest share, where chosen raw products are offered (Poland, Bulgaria, Romania) and retail chains (the Czech Republic, Hungary), in which the processed products are offered (mainly cereal and fruit and vegetable products), whereas very often they lack meat and its products. Generally on the CEE markets the organic food is characterised by low availability and its assortment offer is rather limited [Łuczka-Bakuła and Smoluk 2006, Kovacs and Richter 2005].

Despite such huge organic production potential, due to increased demand, there occurs some lack of products on the mature organic markets. The European Union countries mainly import cereals, fruit, vegetables, juices, milk, meat and cheese [Łuczka-Bakuła 2007]. This constitutes an export opportunity for the CEE countries, which still have competitive advantages resulting from lower production costs. Some of the CEE member states (the Czech Republic and Hungary) have already directed their production at the exports. Nevertheless, the most significant exporters in the EU are still Italy (900 mln euro), Spain (315 mln euro) and Denmark (88 mln euro) [www.organic-world.net].

However, for dynamic development both domestic and external organic markets the activities towards demand growth should be undertaken. Diverse social campaigns popularising the organic food and benefits resulting from its consumption have a large meaning for the development, both of the organic farming and the market of its products. In Western Europe countries these campaigns have been conducted since the early 90's of the last century. Wide promotion, consumer awareness improvement, brand building accompanied by complex processing base and distribution development and simultaneous organic food supply growth favour the increase of organic food market.

CONCLUSIONS

The organic farming in the European Union has been developing quite dynamically, mainly due to the financial support under the agri-environmental programme. The re-

cent growth is a result of the rapid increase of the organic area and the number of organic farms in the new member countries, where farmers have obtained the opportunity to receive the financial support. Despite such a rapid growth these twelve countries constitute nearly 19% of all organic area in the EU. However, some of these countries, among them Poland, have a large organic farming potential.

Nevertheless, the condition of organic farming development is the properly functioning organic market. In the new member countries this market is in the initial phase of growth. The organic market value constitutes a small share in the total value of sales of organics in the EU and the consumer expenditures organic food are much lower than in Western Europe countries. It mainly results from high price, low assortment range, weak organisation of distribution and lack of adequate processing base. One of the basic obstacles to develop this market is also low income level, which results in small demand. Therefore in these countries there is a need for conducting campaigns popularising the organic food among consumers and the support of the distribution sphere.

In current situation of the CEE countries the export to the more mature markets may occur the factor of organic farming development. The demand on these markets is so high, that they appear lacks of some products. The activities towards improvement of efficiency of organisation of export, which would guarantee sales from systematically growing number of organic farms, should be undertaken.

REFERENCES

- Communication from the Commission to the Council and the European Parliament, European Action Plan for Organic Food and Farming. 2004. Brussels.
- Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations.
- Council Regulation (EC) No 1804/1999 supplementing Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs to include livestock production.
- Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).
- Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91.
- Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs.
- Council Regulation (EEC) No 2078/92 of 30 June 1992 on agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside.
- EU Rural Development Monitoring Data – Synthesis Report for 2001-2003, Commission Working Document, Commission of the European Communities, 2006. Brussels.
- Kovacs A., Richter T., 2005. Vergleich von Vermarktungsaktivitäten für Bio-Produkte im Lebensmitteleinzelhandel (LEH): Ungarn, Tschechische Republik, Deutschland. In: Beiträge zur 8. Wissenschaftstagung zum ökologischen Landbau Kassel, 1-4 March 2005. Universität Kassel.
- Łuczka-Bakula W., 2007. Rynek żywności ekologicznej. Wyznaczniki i uwarunkowania rozwoju. PWE, Warszawa.

- Łuczka-Bakuła W., Smoluk J., 2006. Rolnictwo ekologiczne w wybranych krajach Europy Środkowej i Wschodniej. Ekon. Środ. 1 (29), 204-212.
- Willer H., Kichler L., 2009. The World of Organic Agriculture – Statistics and Emerging Trends 2009 IFOAM, Bonn, FiBL, Frick, ITC, Genf.
- Willer H., Yussefi-Menzler M., Sorensen N., 2008. The World of Organic Agriculture. Statistics and Emerging Trends 2008. IFOAM, Bonn, FiBL, Frick.
www.organic-world.net.

STAN ROLNICTWA EKOLOGICZNEGO I RYNKU JEGO PRODUKTÓW W UNII EUROPEJSKIEJ

Streszczenie. W artykule przedstawiono zmiany ilościowe w rolnictwie ekologicznym w krajach Unii Europejskiej w odniesieniu do liczby i powierzchni gospodarstw ekologicznych. Zaprezentowano również regulacje prawne oraz system wsparcia finansowego gospodarstw ekologicznych. W dalszej kolejności przedstawiono główne cechy rynku produktów ekologicznych oraz dokonano porównania tego rynku w krajach Europy Zachodniej oraz nowych państwach członkowskich.

Słowa kluczowe: rolnictwo ekologiczne, regulacje prawne, wsparcie finansowe, rynek żywności ekologicznej, Unia Europejska

Accepted for print – Zaakceptowano do druku: 25.11.2010

For citation – Do cytowania: Smoluk-Sikorska J., 2010. The condition of organic farming and market of its products in the European Union. J. Agribus. Rural Dev. 4(18), 87-95.