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From:	General Secretariat of the Council
To:	Delegations
Subject:	Prospects of organic farming - Information from the Lithuanian delegation, supported by the Bulgarian, Croatian, Cyprus, Czech, Danish, Finnish, Hungarian, Latvian, Maltese, Romanian and Swedish delegations

Delegations will find in the Annex a document on the above subject to be presented by the Lithuanian delegation, supported by the Bulgarian, Croatian, Cyprus, Czech, Danish, Finnish, Hungarian, Latvian, Maltese, Romanian and Swedish delegations under "Any other business" at the "Agriculture and Fisheries" Council on 23-24 October 2023.

Prospects of organic farming

The role of organic farming and its key contribution to a more sustainable agriculture is acknowledged in the Common Agricultural Policy (CAP). An action plan for the development of organic production in the EU was adopted in 2021 to support both production and consumption, and to further enhance sustainability, in line with the European Green Deal, the Farm to Fork Strategy and the Biodiversity Strategy. Data available on EU production and consumption of organic food show a growing trend in the 2010-2020 decade. Compared to 2015, the EU organic retail sales almost doubled in 2020, and the area under organic farming grew by 41%. Imports from non-EU countries were increasing too.¹

However, the most recent research data demonstrates reduced consumption of organic products in Europe. Total imports of organic agri-food products in the EU have decreased from 2.87 million tonnes in 2021 to 2.73 million tonnes in 2022 (i.e., by 5.1 %)². Growing inflation as well as high food and energy prices led to reduced sales of organic food products in many EU markets in 2022³. Moreover, energy crisis triggered by unprovoked and unjustified Russia's aggression of Ukraine has adjusted society's attitude and capacity to afford organic food, as well as has aggravated food self-sufficiency issues, thus leading to a reduced demand for organic products.

¹ Agricultural Market brief No 20 "Organic farming in the EU. A decade of organic growth", January 2023, European Commission. https://agriculture.ec.europa.eu/system/files/2023-04/agri-market-brief-20-organic-farming-eu_en.pdf

² EC (2023), EU imports of organic agri-food products, Key developments in 2022, July 2023. European Commission, DG Agriculture and Rural Development, Brussels. https://agriculture.ec.europa.eu/system/files/2023-07/analytical-brief-2-eu-organic-imports-2022_en.pdf

³ Research data of the United States Department of Agriculture (USDA), January 2023. https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=EU%20Consumers%20save%20on%20food%20and%20buy%20less%20organic%20in%202022_Berlin_European%20Union_E42023-0005.pdf

Similar trends may be observed in Lithuania too. From 2007 to 2022 organic farmland as well as numbers of farmers engaged in organic farming has been on rise; in 2023 however, area of crops certified for organic farming in Lithuania has dropped by more than 5% (from 271.3 to 257.5 thousand hectares); number of organic farms has been shrinking as well. Experts and certifying bodies share opinion that in the nearest future both organic crop area and number of organic farms are going to remain stable, and no trends of growth are observed.

This situation might be caused by several factors. First, difference in purchase price for organic vs non-organic produce is insufficient. Organic farming, apart from its environmental and climate-related benefits, should also be profitable (sustainable in economic terms). Gap between selling price of organic vs conventionally grown (i.e., non-organic) agriculture produce is shrinking; in some cases, organic farmers must sell their produce at the same price level as conventional farmers do. For instance, purchase price gap between organic vs non-organic grain and milk has shrunk down to 20% over the last year (meanwhile before 2020 this figure has been more than 50%). The above-described market trends fail to ensure sufficient level of motivation for farmers to carry on their organic farming practice, even when incentive payments are offered.

Organic farmers' motivation is also restricted by a considerable large number of EU legal acts, long approval procedures, as well as too short duration of transitional periods for adaptation to the new requirements which are among the major problems. Often EU legal acts are adopted just before the start of their application period, which does not leave enough time for preparation of national legislation and proper dissemination of information to farmers about the new provisions. New provisions that came in force in 2022, time-consuming requirements for farmers to collect and store data (especially in the field of animal husbandry) as well as very strict sanctions for repeated non-compliance have led to situation where farmers think twice before making a long-term commitment. Furthermore, the Commission has put forward horizontal proposals that are not necessarily aligned with existing organic regulation and might cause the obstacles for the development of organic production (for example, the Packaging and Packaging Waste regulation (PPWR) proposal under DG Environment⁴).

⁴ COM (2022) 677 of 30 November 2022 - proposal for a regulation of the European Parliament and of the Council on packaging and packaging waste.

Even though farmers' motivation to engage in production of organic produce is weakening (due to strict regulation of organic farming, recent decrease in purchasing prices as well as diminished demand for organic produce), EU target – 25% of organic farmland by 2030 – remains unchanged. Nearly all EU Member States have foreseen in the respective CAP Strategic Plans the expansion of their organic farmland and have correspondingly assigned significant funds for this purpose. The efforts to reach the targets should be continued, all available tools used, though current trends in organic sector are worrying. If these trends continue, we might need to think about using the dedicated funding for other environmental – climate interventions with similar results.

Regarding the context described above, we invite the European Commission:

1. To arrange a strategic discussion concerning the prospects and the support for organic farming, including on the future of organic food (based on the most recent statistical data).
2. To ensure the appropriate monitoring on the changing consumption volumes.
3. To explore the possibilities for simplification in regulating an organic production (without reopening of the basic act) and to make sure that new horizontal legislation is aligned with an existing organic regulation.
4. To show the flexibility in the process of amending Member States' CAP Strategic Plans considering their current situation in organic farming development and in response to global food self-sufficiency issues emerged after Russia's invasion into Ukraine, as well as other options to reach targets for environment and climate.