



Organic agriculture - Road to World Food Market “BiH Organic Agriculture Regulatory Structure”

Aleksandra Nikolić

ORGANIC AGRICULTURE CHANCE FOR FASTER DEVELOPMENT OF RURAL AREAS

The recovery of BiH is obvious, but slower than what was expected and predicted. The BiH economy is facing a great variety of problems ranging from weaknesses of the political and administrative system to the usual problems connected with the process of globalisation and transition towards a market economy. The economy is still in the factor driven phase of development in which the contribution of primary industry (including agriculture) to GDP is significant. At the same time, the import of foodstuffs is very high, approximately 1 billion EUR, while more than 40% of the arable land is out of use. In such a situation, all agricultural initiatives that ensure higher value added are seen as a very important priority to be developed. In that context, organic agriculture is focused as a sector that could contribute to the development of an entrepreneurship spirit and initiate development of non-agricultural sectors in rural areas while contributing to the quality of the environment. From that point of view, organic agriculture is

an attractive opportunity for the development of the country.

Additionally, the demand for organic food, eco (agri) tourism, and for all activities that consumers see as contributing to their health are growing. This opens up a feasible window of opportunity for BiH organic producers in BiH, but also for export to the (mostly EU) market. Last year's export results, even small in value (1,5 million of EURO), confirm the possibility to realise this developmental opportunity and therefore to fight poverty and ensure a better quality of life in rural areas.

The EU integration process requires from BiH governments to deal with environmental and social issues connected with agriculture and rural development. Pre-accession funds have been prepared for this purpose. The organic sector could, therefore, increase the country's capability to attract those funds.

One of the Core Quality Indicators of the European Environmental Agency is “area under the organic agriculture” which is a clear recommendation for all member states, but also for aspiring countries, to support and promote organic agriculture as a tool to improve EU environmental performance.

Summary

Even though organic agriculture was recognised as an excellent opportunity to increase the competitiveness of agriculture, to promote rural development, decrease poverty and increase the quality of life in BiH, its development was driven only by efforts of the NGO sector.

Sector performance is improving each year, but at the same time, producers and consumers are faced with increasing challenges, problems and administrative barriers. The main reason for this situation is the lack of a regulatory framework for the organic sector.

Without an organic regulatory framework tailored to the specific BiH conditions, the development of organic agriculture will be risky and this obvious developmental opportunity will become just another forgone opportunity.

This policy brief is a call to all stakeholders to join in and support the government in developing an organic regulatory framework tailored to BiH needs, and to support sector development providing more opportunities for income generation in rural areas, improvement of food trade balance, establishment of fair market conditions, protection of BiH rich bio- and socio- diversity.

BiH ORGANIC SECTOR – THE STORY OF MODEST BUT SIGNIFICANT SUCCESS

An organic sector has been established in BiH. According to official data of the BiH certification body OK, 209 ha in this year is under organic management. According to other international sources, 1113 ha are under organic agriculture. This relevant difference emerges because different international certification bodies are operating in BiH and there is no real communication between all of them. This is possible because a regulatory framework for the organic sector in BiH does not exist. In any case, we find the data and work done by the BiH organic certification body OK more relevant for sustainable development of the BiH organic sector.

Additionally, 3000 ha of land for wild aromatic plants and forest products harvest have been certified. Such a small sector was able to export over 1,5 million of EUR this year, which is an increase of over 300% from last year. This is clearly a strong fact testifying that a small but vigorous organic sector has been established in BiH.

The EU market - a lucrative market for organic food

Organic agriculture has been growing all over the world and especially in Europe. The West European share in world-wide area under organic management is 21% and what is more important, its share in total worldwide revenues (USD 25 billion in 2003) is 52%. This means that the Western European market is one of two (North America being the other) most lucrative markets which have a very high annual growth. It has to be emphasized that this very lucrative market is just about 1% of the total food market. But, the good news is that the organic market is growing at externally high annual rates which vary from country to country from 10% to the 40%.

It is worth noting that the German market is the most valuable market with 3,5 billion EUR, or 30% of the total Western European market value.

Organic food is sold at premium prices. The premiums vary significantly from country to country and from product to product (from 30 to 200%).

Organic food sold at the EU market has to be properly labelled. This means that the EU organic label with organic certificate number has to be printed on the packaging.



EU organic label

WHY DOES ORGANIC AGRICULTURE NEED REGULATION?

Organic agriculture is a sustainable, environmentally friendly, socially acceptable and economically viable system of food production. In other words, organic food has to be produced in line with organic agriculture standards that ensure minimisation of chemical input use, utilisation of local agricultural knowledge and biological resources, protection of landscape, biodiversity, and water, while providing income generation for the rural population. Therefore, organic food production is based on increased labour intensity, but also on additional farmer effort to find innovative, more efficient ways of food production and to provide services to the whole of society. That is why organic food, its "full value package" providing additional value to consumers and society at large, has to be rewarded through premium (higher) prices, as well as through various forms of public support.

In order to properly realise this added value at the market place, it is necessary to foster trust based on clear communication between producers and customers. The customers have to be informed about the organic food "value package" and certain that the expected and paid-for value will be delivered. That is why the labelling scheme, based on independent third party evaluations, is established. Each organic production has to be inspected by an independent body to ensure compliance with organic standards. The production that satisfies the standards and norms is given a certificate – the right to use the organic label at the market place. The legislative framework has to ensure that no food without proper certification will be sold as organic (using that label). The regulatory framework is necessary to ensure trust at the market place, to protect consumers from fraud and to provide a fair opportunity for farmers to realise formed value added at the market place. This means that without a proper regulatory framework, faster development of organic agriculture driven by increas-

ing demand in the country cannot be expected. The increased demand will be satisfied through increased import of such foodstuffs.

Additionally, organic farmers face different problems regarding input supply (seed, plant protection, live animals, etc. cannot be imported due to outdated legislative), knowledge and capital supply that cannot be solved outside the institutional framework, case by case, using improvisation and personal connections. This decreases the possibilities to start or increase organic production as well as to be competitive at the market place. This situation has negative effects on the organic sector's capability to take part in lucrative EU markets.

At the same time, those services that organic farmers provide to the whole of society cannot be recognised, supported and rewarded without an organic regulatory framework. All this leads to the conclusion that without a proper regulatory framework, increase of organic production, and the resulting increase in income generation opportunities in rural areas, and increase in food export will remain another great but unused opportunity for BiH.

THE MAIN ROLES OF THE ORGANIC REGULATORY FRAMEWORK

The regulatory framework has to provide the possibility for the sector to sustain a positive relation to the natural and social environment, to technology development, and to sector newcomers.

The organic regulatory framework has to define the responsibilities and functions of the sector institutions in order to ensure: (i) quality assurance system (accreditation, certification, inspection, norms and standards and labelling procedure); (ii) monitoring and reporting (development of certification bodies, processors, farms, importers, exporters registers, seed list, list of approved input materials, database connected with international information systems), (iii) supervision (final check of all stakeholders' compliances with standards and regulations), (iv) support to sector development, (v) international organic sector communications.



MODELS OF THE ORGANIC REGULATORY FRAMEWORK APPLIED WORLDWIDE

There are two general ways to organise (regulate) the sector worldwide:

- a) to give full responsibility for all sector functions to the state – which is applied only in Denmark, a state with the lowest level of corruption and with a very high level of GDP per capita. There are two main reasons why this model is not suitable for BiH: (i) BiH government is still developing with weak institutional capacities; (ii) the BiH sector exists and sector stakeholders have stated that the very successful internationally accredited certification body OK should be incorporated within the organic regulatory framework;
- b) to divide sector responsibilities and functions between the NGO (private) sector and the government. The level of decentralisation of the regulatory framework varies from country to country. There is no clear recommendation on how to organise it.

WHICH MODEL SUITS BiH

In order to answer this question, an analysis of regulatory frameworks applied in EU (25) was undertaken. The objective of this analysis was to evaluate frameworks from the BiH point of view to see which one could be applied efficiently in BiH. Different criteria were used: challenges of EU integration, level of trust in the state, efficiency of organic sector measured by sector size and organic market size, similarities in environmental conditions and structure of agricultural sector. The Austrian regulatory framework was selected as the “best case for BiH” – see Box

The Best Case - Austrian Organic Regulatory Framework

The state’s responsibility is divided between Federal and province authorities. The quality assurance responsibilities are organised as follows:

- Federal Ministry of Economic Affairs and Labour is responsible for the accreditation of certification bodies. The formal accreditation decision is taken by the Accreditation Service in accordance with EN 45 000 (ISO 65).
- Federal Ministry of Social Security and Generations (FMSSG) grants provisional approval of certification bodies in accordance with regulation EU 2092/91, and a final decision is taken by the Province (state) Food Control Authority where the certification body is registered.
- The Subcommittee for organic farming of Austrian Codex Alimentarius Committee which is part of FMSSG reviews the organic norms and standards with Austrian stakeholders and negotiates them at the EU level.
- Six private profit or non-profit organisations ensure certification and inspection of producers. Private labelling schemes are also part of this process.

The supervision of all stakeholders is done on the level of Provinces by the Supervision Administration in cooperation with the Technical Inspection Service of the Federal Ministry of Agriculture Environment and Water Management (FMAFEWM). The monitoring and reporting role is given to the FMAFEWM. On behalf of the Ministry, this responsibility is taken by part of the unit dealing with Agri-environmental programs, Agrarmarkt Austria (AMA). This Ministry takes care of international communication and sector development.

The NGO sector, which supports state institutions in all their activities and their responsibilities except certification and partly accreditation, is focused on sector development through the establishment of the Umbrella Organic Farmers Association (EKOLAN), organic farmers associations, development of the Organic Agriculture Council (advisory body), and an informal extension service net. The NGO sector has taken on a major part of the functions and responsibilities in the area of international communication and cooperation especially through IFOAM.

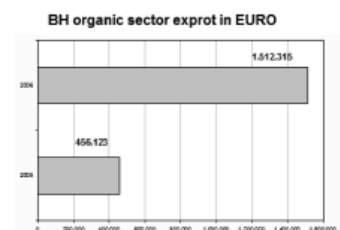
WITH THE BiH ORGANIC LABEL IN THE WORLD

The only BiH certification body Organska Kontrola, established by sector stakeholders and working in the whole of BiH, managed to get International Accreditation according to ISO 65 standards.

This is one of the biggest successes of the BiH organic sector, because it opens up the doors to the lucrative EU and USA markets.



BiH organic label

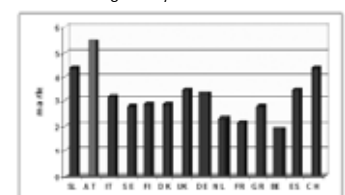


BiH LEADER AT THE EU MARKET - DREAM OR REALITY?

In terms of certified organic wild products, BiH is one of five leading countries in Europe according to International Trade Center (UNTCTAD/WTO). BiH’s share is 5% of total EU organic wild production.

This is very important potential especially if we take into account its high growth rate.

Results of regulatory frameworks evaluation



- 1- not similar to BiH situation
- 7- applicable to BiH situation



Aleksandra Nikolić was born on 5 th May 1966 in Sarajevo. She has finished her elementary and high school education in Sarajevo. She graduated at Faculty of Agriculture, University of Sarajevo, Department of food technology. She finished postgraduate studies at Faculty of Agriculture, University of Sarajevo, Department of Agriculture and food industry economics, and currently works on her PhD thesis. She works at the Faculty of agriculture University of Sarajevo as a senior teaching assistant at Department of Agriculture and food industry economics. In addition she is very actively engaged in the process of B&H Organic Movement development. Through the NGO BETA she works actively on organic agriculture promotion as well as on farmers/producers capacity development. She is also member of NGO OK Executive Board.

WHAT ARE THE NEXTS STEPS?

1. The process of drafting organic legislation has to start as soon as possible and has to follow a participatory approach. This means a working group led by a responsible person from the MOFTER has to be established.
2. An initiative toward the NGO sector to establish a permanent voluntary advisory board "Council for Organic Agriculture" has to be taken.
3. The current situation of sector reconstruction at the state level has to be used to select and appoint people responsible for the sector in each existing/new institution of the agribusiness sector.
4. The appointed people have to be trained to understand their roles, responsibilities and everyday duties.
5. A state supported WEB interactive platform has to be developed in order to enable the exchange of information and knowledge.
6. An annual stakeholder conference has to be established as a permanent activity to evaluate sector performances and needs that could be satisfied by the state.

Recommended further reading:

Nikolić, A. (2007): Policy study „BH Organic Agricultural Regulatory Structure“, OSF

EU Commision, DG Agriculture and rural development (2005): Organic farming in the EU – fact and figures, Bruxelles

EkoConnect information letter Organic Agriculture of Central and Eastern Europe, May 2006, www.ekoconnect.com,

FAO (2003): FACILITATING THE LEGAL AND POLICY FRAMEWORK FOR MARKETING AND TRADE OF CERTIFIED ORGANIC AGRICULTURE PRODUCTS” (<http://www.rlc.fao.org/foro/alimentos/>)

Grolink AB (2004): Organic Agriculture in Austria – Highest rate of certified organic farms in the EU, The organic Standard, Issue 34

Rundgren Gunnar (2006): Best practices for organic policy: what developing country governments can do to promote the organic sector, ITC in printing



Open Society Fund
Bosnia & Herzegovina

A "Policy Development Fellowship Program" has been launched by the Open Society Fund BiH in early 2004 with the aim to improve BiH policy research and dialogue and to contribute to the development of a sound policy-making culture based on informative and empirically grounded policy options.

The program provides an opportunity for selected fellows to collaborate with the Open Society Fund in conducting policy research and writing a policy study with the support of mentors and trainers during the whole process. Twenty seven fellowships have been granted in three cycles since the starting of the Program.

All policy studies are available at www.soros.org.ba