

ORGANIC FOOD SYSTEM ANALYSIS.

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Organic farming in Finland

Organic farming is a prerequisite for organic food industries. So here is a short view for organic farming in Finland especially for dairy farming on which Juva Luomu is dependent.

There are totally 69 517 farms in Finland (2005) and 4296 of them are organic farms. Finnish farming is mainly based on family farming and the average size of the farms is 33,26 hectares. Organic farms are on an average a bit bigger as the average size is 34,4 hectares. Totally land area that is under organic cultivation is 148 000 hectares which makes 6,7 % of all farming land. (KTTK, Tike)

Number of organic farms has diminished. The certified organic area grew up until 2002 and was then 159 000 hectares. After that many farms have quitted or converted back to conventional farming and conversion to other way haven't been as fast so in 3 years the certified organic area has diminished 11 000 hectares. Also number of organic dairy farms has diminished. In 2005 there was 166 organic dairy farms in Finland and that was 15 farms less than 2004. (KTTK).

In organic farming, production methods are paid more attention than in conventional farming. Industrial fertilizers and pesticides are not used in production. Minimum levels of environmental standards and minimum quality of the products are defined with international regulation. In animal production animals have more room and they are able to behave on natural way. For example cows must be able to go out in winter time too.

Development and future of organic farming

The development of organic farming is quite bad when we think of the future development of environmental effects in Finnish farming. But the trend is also quite undeniable following the fact that for example Finland's biggest dairy Valio, which handles 85 % of rawmilk in Finland, don't make new contracts with organic milk producers. It seems that even though in Valio's year report

they say that responsibility for the environment and wellbeing of the animals is Valio's basic value (Valio), the marketing and promoting of organic agriculture from dairy's said is not big. The fact that only about 15 % of organic milk is sold as organic don't make organic dairy farming really appealing. With other products it's often the same. Organic products end up to be sold as normal products. Hopefully the farmers get the extra price from organic products even in that situation and animals also have better conditions even though their milk is sold as conventional.

Finfood organic has evaluated that selection or price-quality rate among organic products has not risen during past few years. Also product development doesn't meet consumers' needs. Still consumers interest and trust for organic products is good. Also willingness to buy organic products is at good level even it has decreased a bit from year 2001 (Finfood).

But on governmental level there are high targets for developing sustainable food production. Report of the committee of sustainable production and consumption (KULTU) which was made under ministry of environment and ministry of trade and industry has set a goal for organic field area. 2001 area under organic cultivation should be 10 % of all farming area and for year 2025 the goal is even 25 %. As a basis for the goals of agriculture and food industry sector is the fact that the whole food chain makes about third of all environmental impacts of consumption.(KULTU). In Sweden the governmental goals are even higher: 20 % of farming area should be organic until 2010.(Finfood). If goals are achieved and organic production increases, also the amount of organic food industries will rise.

Regulation for organic production

EU's agricultural policy has included agri- environmental schemes since late 1980's. With the CAP (common agricultural policy) reform in 1992 the implementation of agri-environmental schemes came compulsory in member states. The first legislation which defined organic crop production and certification was Council Regulation (EEC) 2092/91. In 1992 the EU passed Council Regulation (EEC) 2078/92, which stated that organic farming is part of an agri-

environmental production program. This legislation created a link between organic farming and global agricultural policy in the European Union. In 1999, the EU introduced legislation that brought organic farming closer to rural development goals through CAP reform; also defining what constitutes organic farming practices and cultivation methods. European Council Regulation 1804/99 defined organic animal production. (Bertil Sylvander & Aude Le Floc'h-Wadel – Consumer Demand And Production Of Organics In The E, AgBioForum – Volume 3, Number 2&3 –2000 – Pages 97-106).

environmental regulation for conventional farmers

Also conventional farmers have environmental standards that are anyway much lower than those with organic farmers. For farmers these schemes are optional but to get the direct payments wholly a farmer should observe a minimum level of environmental standards. Then they will get extra payments for additional costs and loss of income. (Agriculture and the environment. European commission . Directorate- General for Agriculture. 2003) This new environmental support system is kind of a new compensation for economical losses for farmers after agricultural production is opened more to competition.

The environmental impacts of environmental support system are questionable. It doesn't really lower the use of for example fertilizers, because greater use of them wouldn't be even economically beneficial. Something about the outlook of politics tells that the main sources of greenhouse gas emissions from agriculture does not include carbon dioxide emissions from nitrogen fixing in fertilizer industry (Second ECCP Progress Report - Can we meet our Kyoto targets? 2003).

Conventional farmers can also commit themselves, for a five-year minimum period, to adopt environmentally-friendly farming techniques that go beyond usual good farming practices. These include for example the use of native breeders in production and also organic production. (Agriculture and the environment. European commission . Directorate- General for Agriculture. 2003).

Inspection of organic production

Production, processing and packaging of organic products is controlled by the ministry of agriculture and forestry which has organised the inspection of organic production through three governmental agencies. Plant Production Inspection Center (KTTK), the national food agency, and the product control agency. Juva Loumu is controlled once a year by National food agency that accomplish the inspection of organic food processors and importers as well as market control. There is also other inspection once a year for certification. The inspected farms and companies bear the cost of the inspection system

In the EU, direct subsidies for certification and inspection are available for producers in five countries: Austria, Denmark, Germany, the UK, and Italy. Some of these programs (Austria and the UK) were created through EEC Regulation 2078/92, while others are strictly national programs. Most of these programs offer partial reimbursement of certification and inspection fees. However, in Denmark, certification has been free for producers since 1996. In Finland, France, and Luxembourg, producers are subsidized indirectly through reduced fees from certifiers and inspectors, who receive government funding for their activities.

Subsidies for Organic Agriculture in The EU

Another thing are subsidies. The EU has supported the development of organic agriculture in several ways (common regulations, the EU logo, financing through agri-environment programmes). (Anonymous 2003. Research to Support Revision of The EU Regulation on Organic Agriculture, EU Sixth Framework programme Danish Research Centre for Organic Farming/Danish Institute of Agricultural Sciences, Denmark).

Organic farmers are currently eligible to receive support from the first pillar (direct payments, price measures) under the same conditions as non-organic farmers. In addition to this, the rural development policy as laid down in Regulation (EC) No 1257/1999 allows for payments through the second pillar via various measures, such as investments into agricultural holdings (e.g. for improvements regarding the environmental and animal welfare aspects on their farms), training,

processing and marketing measures, compensatory payments in less favoured areas, and most important for organic farming, agri-environmental measures. The latter are meant to give support to farmers who are making extra efforts (above good farming practices) to protect the environment. As a farming system beneficial to the environment, support for organic farming is currently part of agri-environmental measures covered by this regulation (Anonymous 2002/b. Analysis of The Possibility of a European Action Plan for Organic Food and Farming, Commission Staff Working Paper, Brussels).

Subsidies for organic agriculture in Europe exist through several different programs created primarily through reforms in the EU's Common Agricultural Policy. By the late 1980's CAP had achieved the primary goal of European self-sufficiency, and therefore shifted toward promoting economic and environmental sustainability, through the Extensification Program (EEC Regulations 1094/88 and 4115/88) and the Agri-Environment Program (EEC Regulation 2078/92). Organic producers were also able to benefit through several mainstream EU agricultural policies, as well as through numerous initiatives at the member state level, including subsidies for inspection and certification. The following sections provide a brief overview of the major financial support opportunities that exist for EU organic producers (Weseen, S. 2003. Overview of the EU Regulatory System for Organic Agriculture, University of Saskatchewan).

Organic farming is supported by EU. For example, if they buy new machines for farming they pay 30 % less conventional farms.

Organic farming and local food and food industries as a tool for rural development

In organic farming farmers are relatively independent from agro-chemical industry. Less external inputs are needed for cropping and for animal housing. Conversion to organic agriculture also helps farmers to move from cost-price- squeeze of conventional farmers. (Darnhofer 2005).

Crop rotation requirements, closed nutrient cycles and price premiums are specific characteristics of organic farming that support restructuring of the farm. Often organically farming households broaden their activities to non- agricultural ones like agro-tourism, community-, landscape- and

biodiversity services. (Darnhofer 2005). At a regional level the relationships with other farms and rural enterprises is a good way to get advantages and for example gain access to a resource that is not inside the own farm. Tourism, high value or regional products and environment with high nature values is also a good way to create new kind of income and employment. (Knickel and Renting 2000). Also in Finland particularly in Kainuu area organic production is seen as a good way to develop rural areas and create new jobs.

Economy

The dairy processing business has been a profitable one since its early operation. It supplies organic dairy products for most of Finland, especially their yoghurt and sour milk.

At the moment, organic milk products have only 1% market share in Finland whereas in other Scandinavian countries such as Denmark, or Sweden, the share is close to 10%. The low figure in Finland is mainly due to the lack of consumer interest in organic foods. Finnish customers think that all Finnish products have good quality that's way they need not buy the organic ones.

About Marketing:

Marketing is also important for organic products. To sell your products you have to advertise. But in Finland there is only 1 % market share for organic dairy products. Many producers make both organic and conventional products and because of a small volume of organic production the marketing of organic products is not economical. Producers don't either want to give a picture that their organic products would somehow be better than conventional ones because that would make the value of conventional products smaller. The producers that make only organic products are often so small that they don't have money for big advertisement campaigns.

Also the healthiness of organic products can be used in marketing even though there are not very many research results. Many people prefer organic milk products because they are not homogenized even if there are not proven results for the claim that non-homogenized milk would be better for health. Anyway the University of Aberdeen in Scotland made the research on milk. According to their results organic milk can contain up to 71% more omega 3 than non-organic milk and has a better ratio of omega 3 to omega 6 than conventional milk. According to some

research there are more minerals in organic than in conventional vegetables.

In organic products there are also much less additives than in conventional products because only 30 additives are allowed. Artificial colors are not allowed at all and from flavours only natural ones. (Finfood). Also if a cow is sick and farmers have to give antibiotics for it, organic farmers have 4 weeks quarantine time before they can give the milk to a dairy. In conventional farm the quarantine time is 4 weeks. So the possibility to find leftovers from antibiotics in organic milk is minimum. Anyway research about the healthy impacts of organic food are needed and research made in any country can affect the market share of organic products in Finland too.

Challenges for Organic farming and production

Common challenge to all organic producers is that in Finland, Finnish people don't perceive the quality difference between organic and conventional produce. They believe that in general, Finnish agriculture products are clean and good, close to organic quality; therefore, they have low incentive to pay extra for Finnish organic products. Juvan Luomu and other organic producers believe that more public discussions and exposure of organic agriculture and products would be crucial to increase consumer's awareness of the social and ecological benefits of organic farming. The increase market share and demand of organic products would also encourage more farmers to join and to remain in sustainable farming.

The price of organic milk products are 20 % higher than conventional products.

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Tike

www.mmmtike.fi

Vähemmästä enemmän ja paremmin. Kestävän kulutuksen ja tuotannon toimikunnan (KULTU) ehdotus kansalliseksi ohjelmaksi

<http://www.ymparisto.fi/download.asp?contentid=36844&lan=fi>