



EUROPEAN
COURT
OF AUDITORS

Background paper



Organic Food in the EU

February 2018

Organic production is a way of producing food and other products that respects natural life cycles. It is part of a larger supply chain, which encompasses food processing, distribution and import. EU Regulation 834/2007 provides the basis for the sustainable development of organic production while ensuring the effective functioning of the internal market, guaranteeing fair competition, ensuring consumer confidence and protecting consumer interests.

As organic products cannot be identified by a laboratory test or physical examination, their organic status is checked through a certification system laid down in EU law and overseen by the Commission. This system aims to provide consumers with assurance that when they purchase a product in the EU labelled as organic the product they receive is indeed organic. The system is implemented by the Member States and inspections are made by both public and private bodies.

The European Court of Auditors is currently examining, as an extended follow-up, whether the control system governing the production, processing, distribution and import of organic products can now provide increased confidence in organic products.

Audit evidence will be collected by analysing current legislation and legislative proposals, Member States control plans and annual reports, Commission files and audit reports, through questionnaires (to follow up the six Member States audited previously) and by conducting interviews with representatives from the Commission, from the selected Member States (Bulgaria and the Czech Republic) and control bodies.

This audit report will form part of a series on various aspects of the food chain produced by the European Court of Auditors. The series also includes Food Waste (published in January 2017), Animal Welfare (currently underway) and Food Safety in the EU (also planned for 2018).

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WHAT IS ORGANIC FOOD?

Organic products in the EU

Organic production is an overall system of farm management and food production that combines best environmental practices, a high level of biodiversity, the preservation of natural resources and the application of high animal welfare standards. The production method is in line with the preferences of certain consumers for products using natural substances and processes¹. Organic production is part of a larger supply chain, which encompasses food processing, distribution and import.

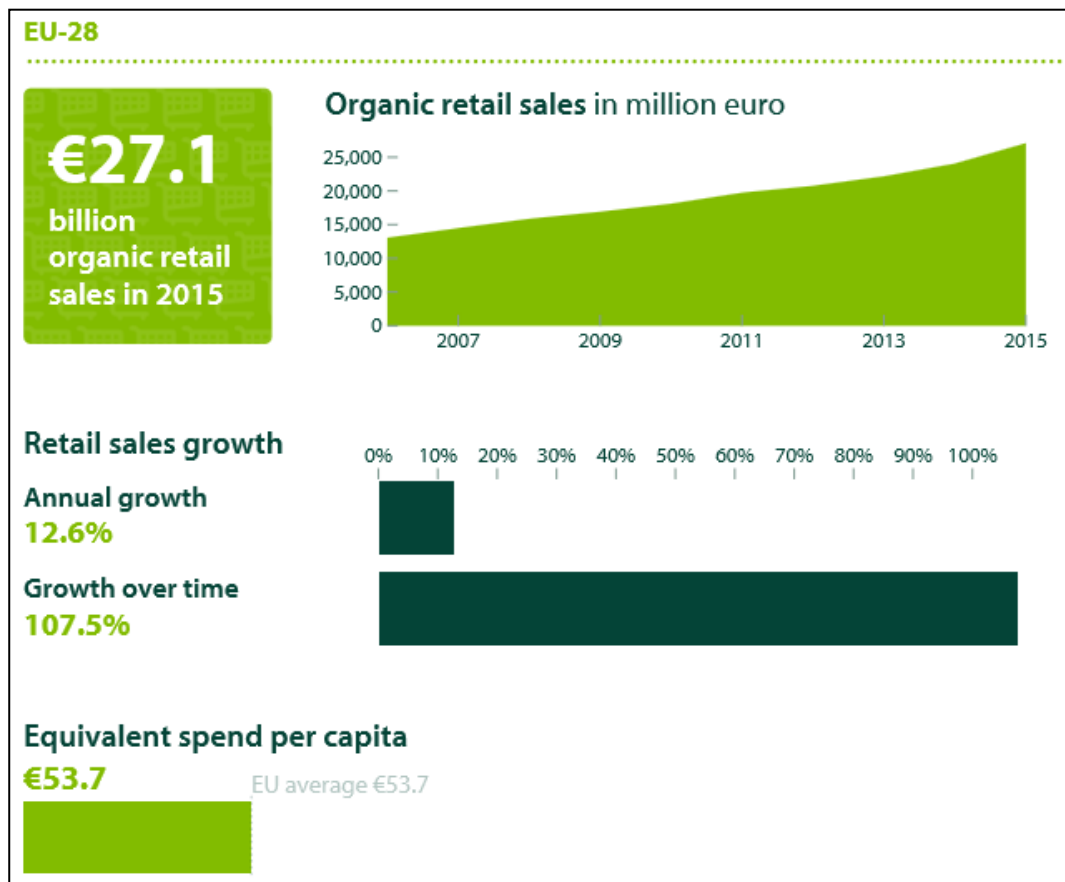
Organic farming operates in accordance with objectives and principles such as:

- crop rotation (for an efficient use of on-site resources);
- severe restrictions on the use of chemical pesticides, synthetic fertilisers, antibiotics and other substances;
- ban on genetically modified organisms (GMOs);
- good use of on-site resources, such as manure for fertiliser or feed produced on the farm;
- use of disease-resistant plant and animal species adapted to the local environment; and
- animal husbandry practices tailored to the various livestock species.

Organic retail market and imports

In recent years, the organic market has developed significantly. In 2015, the value of the EU organic market grew by 12.6 % (a higher rate than in the past five years) and had a total value of over 27 billion euro (see **Figure 1**). Between 2010 and 2015 the total area under organic farming in the EU increased by 21.1 % and imports grew by 31.7 % between 2012 and 2015. The total organic area made up 6.2 % of the total utilised agricultural area in the EU in 2015².

Figure 1 - Organic retail market in the EU

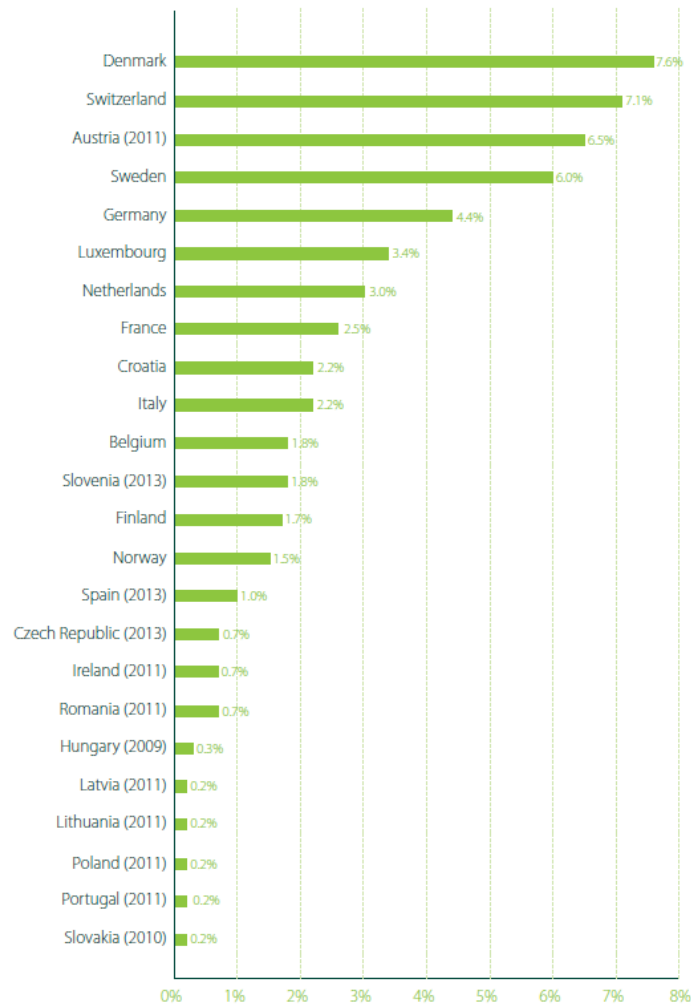


Source: <http://www.ifoam-eu.org/sites/default/files/ifoamvis-package/index.html>

Organic aquaculture is a relatively new sector and EU implementing rules have only applied since 1 July 2010. In 2015, total aquaculture production in Europe amounted to 1 301 484 tonnes, 4.4 % of which was organic (56 000 tonnes)³. Atlantic salmon is the major species organically certified in the EU and two EU Member states are involved in its organic production (Ireland with 13 000 and the UK with 2 400 tonnes). For comparison, in Norway organic production of salmon was about 16 000 tonnes in 2015. According to the Commission’s impact assessment, there are significant imports of organic aquaculture products from outside the EU.

Data on the organic share of the total food market vary considerably amongst Member States (see **Figure 2**). For example, Denmark has the highest organic share with 7.6 %.

Figure 2: Proportion of organic retail sales in Europe by country (2014)



Source: FiBL-AMI survey 2016 based on national data sources

According to data provided by the Research Institute for Organic Agriculture FiBL, organic imports into the EU have increased from 590 million euro in 2011 to 1 640 million euro in 2015. However, there is only incomplete data on imports and exports of organic products into and from the EU⁴.

Supply chain case studies confirm that farm-gate and retail prices are higher for organic supply chains compared with the equivalent conventional chains. Organic farmers do receive higher prices than conventional farmers⁵, but the producers' share of the total added value created in the entire supply chain remains relatively low⁶.

WHAT IS THE REGULATORY ENVIRONMENT FOR ORGANIC FOOD?

Organic farming and production has been regulated at EU level since 1991 and organic aquaculture since 2010. Currently, the organic supply chain in the EU is covered by Regulation (EC) No 834/2007 on organic production and labelling of organic products and its two implementing regulations on production, labelling, controls and imports⁷.

The Commission reviewed the Organic Farming legislation in the framework of its Regulatory Fitness and Performance Programme (REFIT) and carried out an impact assessment between June 2012 and September 2013⁸. The proposal for a new regulation was presented on 24 March 2014 together with a new EU Organic Action Plan⁹. From November 2015 this proposal was part of negotiations, known as the trilogue, between Council, Parliament, Commission, resulting in a political agreement on 28 June 2017.

Furthermore, organic food must comply with the General Food Law (Regulation 178/2002). Organic production falls within the scope of the Official Controls Regulation 882/2004, which has been amended recently by Regulation (EC) No 2017/625. Most provisions of this new Regulation will apply from 14 December 2019.

The EU organic label

Organic products can be easily recognised by the EU organic logo (see **Figure 3**).

Figure 3 - The EU organic label



Where terms such as organic, bio and eco are used, the logo is compulsory when labelling and advertising organic pre-packaged food products placed on the EU market. If used on a product, the logo indicates that this product is in full conformity with the conditions and regulations for the organic farming sector established by the European Union. This means that the product has been:

- produced in compliance with EU-defined rules and;
- is subject to the control system defined by the EU.

The EU organic control system

As there are no specific quality requirements linked to the products, there is no scientific way to determine whether a product is organic or not. The EU control system certifies the production processes, not the products themselves.

In 2017, the Commission introduced a new system of electronic certification to better monitor imports of organic products, and this system was added to the existing TRACES (TRAdE Control and Expert System)¹⁰ certification tool. The new e-certification system will contribute to enhancing food safety provisions and reducing potential fraud. It will also reduce the administrative burden for operators and authorities, and provide much more comprehensive statistical data on organic imports.

Any operator that produces, prepares, stores or imports organic products, or who places such products on the market, must comply with the production and implementing rules set out in the regulation and must submit its undertaking to an EU-wide control system. Organic operators are checked at least once per year by a certifying body (either a private control body or a public control authority). Operators pay the cost of these checks.

Control bodies are a central element of the control system. They carry out checks at the level of the individual operators. Typical checks include physical inspections of the production or processing premises, verification of the documentary accounts and sampling of final products, harvested products, leaves or soil to test for the use of unauthorised substances.

HOW IS ORGANIC FOOD SUPPORTED BY THE EU?

Organic producers or processors can receive EU support. Under the CAP direct payment scheme, certified organic farmers receive the greening payment. Furthermore, through the European Agricultural Fund for Rural Development (EAFRD), organic farmers can receive support both for conversion to organic farming practices and maintenance of organic farming practices.

The total contribution from the EAFRD to organic farming payments for 2014–2020 amounts to 6.5 billion euro or 6.5 % of the total budget for EU Rural Development Programmes (RDPs) (99 billion euro)¹¹. Apart from such organic farmland area payments, Member States can support and stimulate the development of organic sectors through other RDP measures.

Also, under the European Maritime and Fisheries Fund (EMFF), producers can receive support for the conversion of conventional aquaculture production methods into organic aquaculture. Under EMFF 2014-2020, a budget of 1.2 billion euro is planned for sustainable aquaculture, part of which is for organic aquaculture.

The European Commission also provides funds for research and innovation that can be relevant for organic producers or processors, e.g. through the European Innovation Partnership on Agricultural Productivity and Sustainability (EIP AGRI), through Horizon 2020, or through the European Aquaculture Technology and Innovation Platform (EATiP).

The school fruit, vegetables and milk scheme funded from the EU budget is another opportunity for organic producers, as the scheme encourages the sourcing of organic products for use by educational establishments and the integration of organic-related topics into the educational programme under the supporting educational measures that can also be financed from EU funds. The total budget for the scheme is 250 million euro per school year (with 150 million euro for fruit and vegetables, and 100 million euro for milk).

WHO DOES WHAT?

European Commission

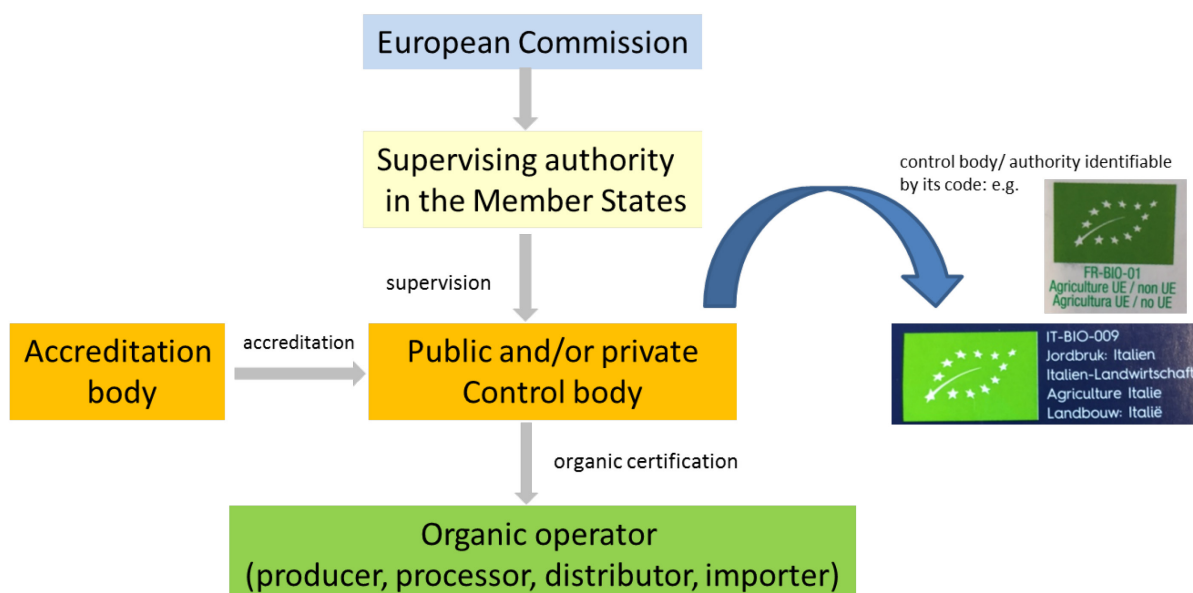
The Directorate-General for Agriculture and Rural Development (DG AGRI) is responsible for developing and managing the EU organic production framework of the Common Agricultural Policy (including the rules on organic production, labelling, controls and imports). It is also responsible for implementation of the EU's action plan on organic production, negotiating arrangements and agreements with third countries and ensuring that the legislative provisions on effective supervision of the organic production system are adhered to. The Directorate manages a Regulatory Committee on Organic Production (RCOP), composed of Member States' representatives and an Expert Group for Technical Advice (EGTOP)¹².

The Directorate-General for Health and Food Safety (DG SANTE) is responsible for ensuring effective and correct implementation and enforcement of EU legislation on food safety, animal health, animal welfare, plant health and some areas of human health. In this context it carries out official controls on organic production. The purpose of this scrutiny is to evaluate compliance with applicable EU standards and national authorities' controls (both in the EU and in non-EU countries exporting to the EU). In non-EU countries, the Directorate also assesses private Control Bodies which provide recognised certification/guarantees in relation to the export of organic products to the EU¹³.

Member States

Member States are responsible for setting up a control system to monitor compliance with EU rules on organic production, processing, import and labelling. Member States may opt to set up a public, private or mixed control system. Member State authorities are responsible for supervising these public and/or private control bodies (see **Figure 4**). They are also required to organise audits or inspections of control bodies as required and, where necessary, withdraw approval for control bodies that fail to satisfy the minimum requirements. There are around 250 public and/or private control bodies which have been approved throughout the EU¹⁴.

Figure 4 - Control system for products produced and consumed in the EU



Source: ECA

Where a Member State chooses a system with private control bodies, these bodies need to be accredited by a single national accreditation body according to the most recent version of the standard, ISO/IEC 17065: 2012¹⁵. The checks performed by these accreditation bodies concern the technical competence, independence, impartiality and professional integrity of the control bodies. Public control authorities do not need to be accredited.

EFTA countries

The EFTA countries, Norway and Iceland, apply the EU organic legislation. Their relations with the European Union are mainly governed by the Agreement on the European Economic Area (EEA) and organic production is the only part of the EU's common agricultural policy (CAP) legislation that falls within the scope of the EEA Agreement.

Third countries recognised for equivalency

A number of third countries have signed an agreement with the Commission concerning the import of organic products to the EU. These countries are: Argentina, Australia, Canada, Costa-Rica, India, Israel, Japan, Switzerland, Tunisia, United States, New Zealand and the Republic of Korea¹⁶. An agreement with Chile entered into force on 1 January 2018.

According to these agreements, the principles and production rules governing the system of organic production in that country are considered equivalent to those laid down in the EU rules and the control measures are also equivalent in their effectiveness to the EU rules.

Recognised third countries must submit annual reports to the Commission regarding the implementation and enforcement of the control measures established in the third country and they must notify the Commission of any changes made to the measures in force, to their implementation or to the control system.

Control bodies and control authorities recognised for equivalency

Control bodies that are operating in third countries can be recognised by the Commission for the purpose of equivalence¹⁷. This means that the products imported into the EU that are certified by them are produced according to organic principles and production rules that are equivalent to those in the EU. It also means that the control measures they apply are equally as effective as those laid down in the EU rules.

Control bodies should allow their production rules and control measures to be checked on-the-spot by independent experts. Recognised control bodies must send an annual report to the Commission describing the control activities the control body or control authority has carried out in the third countries in the previous year. The report should state the results obtained, irregularities and infringements observed and the corrective measures taken. They should also make available, by electronic means, a continuously updated list of operators and products certified as organic.

WHAT ISSUES DID WE IDENTIFY WHEN PREPARING THE AUDIT?

When preparing our audits, we carry out an issue analysis of the policy area or programmes that we intend to examine. Since these issues are identified before the audit work commences they should not be regarded as audit observations, conclusions or recommendations.

In the course of our audit on organic products, we will look at the relevant policy and programmes in relation to the issues that were identified. In June 2012, the Court published Special Report 9/2012 on the control system governing the production, processing, distribution and import of organic products. The report highlighted a number of weaknesses in the control system and the Commission agreed to take action to remedy them.

In this follow-up audit, we will assess whether the Member States and the Commission have remedied the weaknesses in the control system and in its implementation that we identified during the previous audit.

In addition, we will check whether:

- the control system for organic products produced outside the EU and imported into the EU provides sufficient assurance;
- the revision of the EU organic Regulation is likely to improve the current control system.

ABOUT ECA SPECIAL REPORTS AND BACKGROUND PAPERS

Our special reports set out the results of audits of EU policies and programmes or management topics related to specific budgetary areas.

Background papers provide information based on preparatory work undertaken before the start of an on-going audit task. They are intended as a source of information for those interested in the policy and/or programme being audited.

If you wish to contact the team in charge of this audit, please do so through the following mail address:

ECA-Organic-Food-Audit@eca.europa.eu.

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- ¹ 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, Recital 1.
 - ² Eurostat, Organic Farming Statistics, , November 2017
 - ³ European Market Observatory For Fisheries and Aquaculture Products, “EU Organic Aquaculture” May 2017.
 - ⁴ Research Institute of Organic Agriculture (FiBL), Key indicators on organic agriculture worldwide, FiBL Surveys 2000-2017.
 - ⁵ The European Commission, “Distribution of the added value of the organic food chain“, study for DG AGRI, November 2016.
 - ⁶ IEG Policy, “French consumer group calls for action on organic food mark up“, 30 Aug 2017
 - ⁷ Commission Regulation (EC) No 889/2008 of 5 September 2008 laying down detailed rules for the implementation of Council Regulation (EC) No 834/2007 on organic production and labelling of organic products with regard to organic production, labelling and control and Commission Regulation (EC) No 1235/2008 of 8 December 2008 laying down detailed rules for implementation of Council Regulation (EC) No 834/2007 as regards the arrangements for imports of organic products from third countries.
 - ⁸ Commission staff working document. Impact assessment. Accompanying the document « Proposal for a Regulation of the European Parliament and of the Council on organic production and labelling of organic products, amending Regulation (EU) No XXX/XXX of the European Parliament and of the Council [Official controls Regulation] and repealing Council Regulation (EC) No 834/2007 ». SWD(2014) 65 final.
 - ⁹ Communication from the Commission to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions, Action Plan for the future of Organic Production in the European Union, COM(2014) 179 final, Brussels, 24.3.2014.
 - ¹⁰ Commission Implementing Regulation (EU) 2016/1842 of 14 October 2016 amending Regulation (EC) No 1235/2008 and Regulation (EC) No 889/2008.
 - ¹¹ Data extracted from the Commission’s Shared Fund Management System SFC2014 on 8.11.2017.
 - ¹² Commission Decision of 3 June 2009 establishing the expert group for technical advice on organic production, (2009/427/EC).
 - ¹³ The European Commission, Health and Food Audits and Analysis Programme 2017, DG Health and Food Safety, Publications Office of the European Union, Luxembourg 2017
 - ¹⁴ Directorate-General for Agriculture and Rural Development list of Control Bodies and Control in the organic sector Authorities approved on 31/12/2016..
 - ¹⁵ Conformity assessment — Requirements for bodies certifying products, processes and services, ISO/IEC 17065:2012
 - ¹⁶ Regulation 1234/2008, Annex III.
 - ¹⁷ Regulation (EC) No 1235/2008, Articles 10 to 12.