

The future policy environment of organic farming and its impact on the economic performance against the background of the ongoing trade liberalisation

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Since the early 1990, organic farming has experienced a rapid growth in Europe due to increased consumer awareness towards organic products and various policy support measures. In particular, organic farming schemes based on the agri-environmental regulation (2078/92) and the rural development regulation (1257/1999) offer financial compensation for a lower income and support for marketing and processing activities (Lampkin et al., 1999).

Organic farming policies as part of the general CAP are increasingly affected by the liberalisation of agricultural markets. Trade liberalisation takes place at three different areas: first, free-trade zones are established or extended (such as the EC); second, bilateral agreements facilitate trade between countries; and third, at global level, a further reduction of trade barriers are achieved through the WTO talks. As a result of the liberalisation policies, competition on the supply side increases, producer prices drop down and state impact on markets are reduced. Regarding organic farming policies, liberalisation will lead to a greater harmonisation of support measures as well as production and processing standards. In the light of the ongoing WTO talks, it is expected that agri-environmental programmes will become stronger related to desired positive effects and less trade-distortive.

Due to the increased economic pressure in the organic farming sector, it will be crucial for many farmers to maximise their income through environmental services, marketing activities and improved quality.