



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2013)

Opinion

Title

DG AGRI - Impact assessment supporting a review of the EU organic farming policy (legislation and action plan)

(resubmitted draft version of 27 November 2013)*

(A) Context

In recent years the organic farming market has been characterized by unprecedented development, driven by strong growth in demand. However, consumer confidence may be eroded given that the EU organic production rules are being watered down by some actors and because of fraud cases. Furthermore, the entire regulatory framework is very complex, which creates difficulties in terms of understanding the system for operators, producers, consumers and public authorities. It will become even more complex with the implementation of a compliance regime for control bodies in non-recognized third countries from 2014. Moreover significant administrative burden is linked to the management of the exceptions by national administrations and to the control of business operators. This report examines how to fully optimise the beneficial effects of organic farming across the EU.

(B) Overall opinion: POSITIVE

While the report has been enhanced to some extent along the lines of the recommendations in the Board's first opinion, it should be further improved in a number of respects. Given the uncertainty about the development of supply and demand, the report should further discuss the possibility that the envisaged stricter rules would cause the market with organic products in the EU to contract rather than to expand in the medium term. In order to do so, it should provide more insights into the drivers of demand (such as consumer confidence and price sensitivity), including the alleged confusion related to the existence of alternative organic product schemes. The report should also corroborate the barriers to the development of the organic seed sector by the corresponding stakeholder views. With regard to the envisaged measures, it should further explain how they are expected to work in practice, such as the measuring of environmental performance of processors and traders or assessing the risk of retailers' non-compliance. The report should also clarify if the envisaged implementation measures will be accompanied by separate impact assessments, including setting the threshold for non-authorized residues in organic products. It should make greater effort to indicate which product categories, Member States and third countries are likely to be most impacted. Finally, the report should be substantially shortened, namely by streamlining the problem definition and by avoiding duplications throughout the text.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

(C) Main recommendations for improvements

(1) Further improve the problem definition. While having explained the regulatory and non-regulatory problem drivers in more detail, the report still needs to demonstrate their relative importance and (negative) impact on the supply and demand for organic products in the EU. In order to better address the current lack of product-specific data, the report should present the problems in a more neutral manner and clarify against which benchmark the organic production in the EU can be assessed as lower than "expected". On the demand side, it should more critically assess that: (i) consumer confidence would be eroded (given that it does not seem to have been significantly affected by the fraud cases), and that (ii) the existence of private organic logos with more stringent rules leads to consumer confusion and disrupts trade between Member States. While the non-compliance with existing rules has been illustrated with a number of concrete examples, the report should acknowledge the absence of evidence that could demonstrate the (extent of) unfair competition within the EU and with third countries. The conclusion that the development of the organic seed sector is hindered by the current exceptions should be supported by corresponding stakeholder views. Finally, the problem definition needs to be significantly shortened by avoiding duplications (i.e. presenting the problem drivers only once) and by removing quotes from individual stakeholders (which, although illustrative, do not adequately reflect the overall feedback received).

(2) Better describe the options. The report should make greater effort to relate the envisaged measures to their corresponding problem drivers, in order to clarify which issues are being directly addressed by the options and which are not (such as the multiple certifications/logos). More insight should be also provided on the link between the identified export issues and the envisaged export certificate(s). The report should clarify how the objectives/principles of organic farming and their status would be amended, and if separate impact assessments would be carried out for the envisaged implementation measures (including setting the threshold for non-authorized residues in organic products). Furthermore, the report should better explain how some of the measures are expected to work in practice, such as: (i) measuring of environmental performance when processors and traders deal with both organic and conventional products; (ii) assessing the risk of non-compliance of retailers; (iii) setting the transition period so it allows for "smooth shift from the current rules to the new stricter ones" (in case of unavailability of organic inputs); or (iv) defining transitional measures concerning the removal of recognition of control bodies for the purpose of equivalence so as to avoid "market disruption".

(3) Further develop the assessment and comparison of impacts. While having better presented impacts, their assessment remains largely theoretical and fairly general, namely due to the uncertainty as regards how the supply and demand would react to the envisaged regulatory changes. Nevertheless, the report should further discuss the possibility that the expected increase in consumer confidence would not sufficiently compensate potentially higher prices under the preferred solution (causing the market to contract not only in the short- but also in the medium-term). In doing so, it should clarify the likelihood that alternative organic schemes would gradually disappear (although being currently better known by consumers than the EU one) and that the potential price increase would increase the exclusivity of organic products (making them therefore less attainable for lower income consumers). The report should also make greater effort to indicate which product categories, Member States and third countries are likely to be most impacted (such as new Member States, disadvantaged areas, or least developed countries). Finally, the report should ensure that the comparison of options in terms of their effectiveness corresponds to the preceding impact analysis, including the above mentioned uncertainty (e.g. the

conclusions on consumer confidence and improvement of the functioning of internal market seem to be overly positive).

(4) Better present stakeholders views. The report should make further efforts to corroborate the analysis with the views of key stakeholder groups, including consumers, small farmers, Member States and third countries, where available. It should present the overall summary of both public and targeted consultations in annexes, including explaining how the numerous concerns of stakeholders have been addressed (or otherwise).

(D) Procedure and presentation

The main report needs to be substantially shortened, for example by: (i) further streamlining the problem definition in line with the comments above; (ii) shortening the general objectives; (iii) avoiding duplication in assessing the effectiveness of options; and (iv) re-focusing the monitoring and evaluation arrangements on specific rather than operational objectives, monitoring thus the impact of regulatory changes rather than their adoption.

(E) IAB scrutiny process

Reference number	2012/AGRI/014
External expertise used	No
Date of IAB meeting	Written procedure An earlier version of this report was submitted to the IAB in October 2013, for which the Board issued an opinion on 8 November 2013



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2013)

Opinion

Title **DG AGRI - Impact Assessment supporting a review of the EU organic farming policy (legislation and action plan)**

(draft version of 7 October 2013)*

(A) Context

In recent years the organic farming market has been characterized by unprecedented development, driven by strong growth in demand. However, consumer confidence may be eroded given that the EU organic production rules are being watered down by some actors and because of fraud cases. Furthermore, the entire regulatory framework is very complex, which creates difficulties in terms of understanding the system for operators, producers, consumers and public authorities. It will become even more complex with the implementation of a compliance regime for control bodies in non-recognized third countries from 2014. Moreover significant administrative burden is linked to the management of the exceptions by national administrations and to the control of business operators. This report examines how to fully optimise the beneficial effects of organic farming across the EU.

(B) Overall opinion: NEGATIVE

The report needs to be significantly improved in a number of important respects. Firstly, it should clarify which problem(s) this initiative aims to address and why e.g. insufficient supply or lack of consumer confidence. The report should then indicate the size of the problems and their possible drivers. This should be based as much as possible on evidence such as the FVO audits and ex-post evaluation results. Where appropriate, the analysis should be differentiated across key sectors and Member States. Secondly, the report should better explain how the policy options and measures are expected to address the identified problems. It should provide more details on the content and implementation of measures such as setting the threshold for non-authorized substances, and justify why more alternative options, which differ in terms of level of ambition, have not been considered. Thirdly, the report should assess the impacts on the supply and demand of organic products in the EU more comprehensively, including the impacts on conventional farming, animal welfare, consumer confidence, (groups of) Member States and third countries. Finally, the views of Member States and different stakeholder categories should be presented in greater detail.

Given the nature of these concerns, the IAB requests DG AGRI to submit a revised version of the IA report on which it will issue a new opinion.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

(C) Main recommendations for improvements

(1) Better present the problems and their drivers. The report should better explain which problem(s) this initiative aims to address, what is their magnitude and possible drivers. In particular, it should indicate the extent to which the current EU organic farming rules may hinder further growth of supply and demand for organic products in the EU. In doing so, the report should make better use of the ex-post evaluation and available anecdotal evidence (including the findings of the Food Veterinary Office and the Court of Auditors). Where appropriate, it should provide a more differentiated assessment of the situation across key sectors and (groups of) Member States, namely as regards consumers' perceptions and consumption of organic products. For example, the report should corroborate: (i) the alleged unfair competition within the EU and with third countries; (ii) the apparent risk of eroding consumer confidence; or (iii) the negative consequences of private and public organic product schemes competing with the EU scheme. More specifically, the report should further substantiate the claims that the current exceptions at national level discourage the production of certain inputs in their organic form, that consumers would disapprove of the introduction of the EU Ecolabel for food and that there is a need to define EU-wide common infringements specific to the organic farming sector. It should also provide more insights into the pros and cons of recognising control bodies from 'non-recognised' third-countries on the basis of 'equivalency' as compared to 'compliance'.

(2) Better present the options. The report should explain how the envisaged options and measures are expected to address the identified problems, namely as regards the "market-driven" option 2 or the prohibition of public organic product logos (that currently exist in 5 Member States). Conversely, it should clarify which option or measure would address the objective to "enhance profitability for producers". The report should then provide more information on the content and implementation of these measures. For example, it should indicate how and by whom the threshold for non-authorized substances would be defined, on what basis the transitional periods in removing exceptions would be set (to avoid market disruptions) and what exactly the requirement to "ensure the liability of all operators in the control chain" stands for. The report should also clarify if traders and food processors would be obliged to use the EMAS scheme under the (sub-) option 3A and how it envisages addressing the regulatory gaps related to exports. Finally, it should analyse additional alternative options which differ in terms of level of ambition, scope or timeline, such as maintaining only some of the current exceptions while phasing out the (clearly) superfluous ones, or justify why such alternative options have not been considered.

(3) Better assess the impacts. The report should assess more comprehensively the likely evolution of supply and demand under various policy options. It should explain the assumptions made regarding the availability of organic inputs, consumer responses to potentially higher prices of organic products (or the removal of mandatory annual controls and national public logos) and the number of new entrants in the sector. Such analysis should for example allow the report to better illustrate the impact of removing the exceptions on imports and on domestic supply, as well as the impact on animal welfare and consumer confidence (taking into account that the consumers' knowledge of the detailed organic rules tends to be rather limited). The report should also clarify: (i) under which conditions the prices paid to producers would be expected to increase (or decrease); (ii) which product categories, Member States and third countries are likely to be most impacted; (iii) what the impacts of the preferred option on SMEs would be if the group certification was not implemented; (iv) what the benefits of the envisaged "specific export policy" would be; and (v) how competition between conventional and organic farming is

likely to evolve following the new measures. Impacts on international trade and regulatory compatibility (for instance with the US) should also be assessed. Finally, the report should make better use of the key cost estimates (currently presented only in annexes), for example to corroborate the statement that the EMAS-related savings would more than compensate the additional costs for processors and traders.

(4) Better present stakeholders views. The report should describe in greater detail the views of key stakeholder groups (including Member States) as regards the problem definition, policy options, subsidiarity and impact analysis. This should be based on the feedback gathered not only through the public but also targeted consultations. In particular, the report should explain the rationale behind the identified stakeholder concerns and clarify the apparent inconsistency in the provided feedback (e.g. why some stakeholders prefer strengthening the production rules but at the same time keeping the exceptions). Given the large number of citizen replies to the public consultation, it should provide more details on the geographical coverage of respondents.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

An effort should be made to reach a better balance between the report and its lengthy annexes, namely by focusing on the most substantial or contested changes in the main text, by ensuring better consistency of argumentation throughout the report and by better referencing the additional information provided in annexes. The report should also provide more information on the timing and focus of the envisaged evaluation, including which data (and how) would be gathered and analysed.

(E) IAB scrutiny process

Reference number	2012/AGRI/014
External expertise used	No
Date of IAB meeting	6 November 2013