Despite the current economic situation, organic farming is a growth sector in the EU. A recent EU-funded study suggests support payments from the amended 2003 Common Agricultural Policy (CAP) for organic farming will continue to play an important role in Western European countries and will become increasingly significant in new Member States.

**Organic farming methods** meet many of the environmental and social concerns of policy makers and the public. When organic farming became legally defined in the EU in 1991, it became possible to support organic farming through agri-environmental and rural support programmes, including the CAP. CAP was reformed in 2003 when agricultural production was decoupled from (no longer linked to) subsidy payments through the introduction of a Single Farm Payment (SFP) scheme. Payments are now linked to environmental, food safety and animal welfare standards.

CAP rests on two pillars: the first provides supports production and the second finances rural development. All the general incentives and regulations relating to agricultural products also apply to organic production under the first pillar, but specific payments can be made to organic farmers under the second pillar for rural development. In addition, individual countries have some choice in how the reform is implemented.

In 2004, the ten new countries that joined the EU adopted the CAP, with payments to farmers to be phased in over a ten-year period. Before this enlargement, there was a clear difference in the financial situation of organic farms in Western and Eastern Europe. For example, Western European organic farms had incomes ranging from €15,000-25,000 per person working full time on the farm; incomes in Eastern countries were €1000-13,000 per full time member of staff.

Farm size and type significantly affects the dependency on support. Dependency on specific support for organic farms is high in Germany and very high in Denmark and the UK. The researchers, working under the EU-CEE-OFP project, suggest organic farm incomes in the UK and Denmark would decline significantly without these incentives; these farms are very susceptible to changes in support policies, particularly those made under pillar two of the CAP.

In 2013, the 2003 CAP reform will be fully implemented in all EU Member States. Its effects will depend on how each country chooses to implement the CAP reforms and the type of farm. Organic farms will benefit in countries that opt for full rather than partial decoupling or in countries where the SFP is based on regional payments rather than on historical payments. For example, the reform will benefit organic farms in Denmark and organic dairy farms in southern Germany.

In general, increased first pillar payments contribute to higher levels of total payments to all Western organic farms. For organic farms in new Member States, costs will initially rise from meeting EU standards. However, by 2013, most organic farms in the new States will benefit: farm incomes, should typically rise by 300 per cent in the Czech Republic, by 50-240 per cent in Hungary, by 140-220 per cent in Estonia, by about 50 per cent in Poland and 0-150 per cent in Slovenia.

However, once higher payment rates have been implemented, organic farms in new Member States, particularly in Estonia, Hungary and Poland, are likely to become more vulnerable to policy changes. Enlarging the organic farming sector in new Member States could reduce the price of organic products, but there is also likely to be an increase in demand for organic products, particularly in the old Member States.

3. EU-CEE-OFP (Further development of Organic Farming Policy in Europe, with Particular Emphasis on EU Enlargement) was supported by the European Commission under the Fifth Framework Programme. See: [www.coreorganic.org/library/EU_folder/euceeofp.pdf](http://www.coreorganic.org/library/EU_folder/euceeofp.pdf)


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