# Part 2

## The Organic Sector in Selected Asian Countries

In recent years, there has been a rapid growth in the number and activity of organizations working to promote organic agriculture in Asia. However, this development has not resulted in any significant expansion in the area under non-chemical cultivation. Only China, India, Indonesia, and Sri Lanka have an organic movement of note. Yet, not even these countries can claim to have one per cent of their total cultivated area under organic production.

Table 2 below summarizes data available from Asian countries and selected countries on the number of farms and area under organic production. As of 2003, the total organic area in Asia is just over 400,000 hectares (of which 75 per cent is in China).

**Table 2. Land under organic management and number of organic farms**

| Country | Date | No. of organic farms | % of all farms | Organic cultivation area (hectares) | Organic as % of total agricultural area |
|---|---|---|---|---|---|
| China | 2001 | 2,910 | | 301,295 | 0.05 |
| India | 2001 | 5,661 | | 41,000 | 0.03 |
| Indonesia | 2001 | 45,000 | | 40,000 | 0.09 |
| Malaysia | 2001 | 27 | | 131 | 0.002 |
| Philippines | 2001 | 500 | | 2,000 | 0.02 |
| Sri Lanka | 2001 | 3,301 | | 15,215 | 0.65 |
| Thailand | 2001 | 940 | 0.02 | 3,429 | 0.02 |
| SUM ASIA | | 60,083 | | 418,585 | |
| *Canada* | | 3,236 | | 418,585 | 0.58 |
| *France* | | 10,364 | | 419,750 | 1.40 |
| *Germany* | | 14,703 | | 632,165 | 3.70 |
| *USA* | | 6.949 | | 950,000 | 0.23 |

Source: SOEL-Survey, February 2003

In most Asian countries, the local organic markets are small and undeveloped. In India, the total organic production is about 14,000 tons but domestic sales account for only 1,050 tons (7.5 per cent). However, this market is expected to grow following the implementation of a number of marketing initiatives. Sales are expected to increase to around 1,500 tons by 2006-07. In China, the growth of the domestic organic food market owes largely to widespread concern over food safety. Thus, along with continuing economic growth, the demand for organic products is likely to continue to increase, possibly rising to two per cent of the total food sales in China. In the Philippines, the estimated value of organic sales is around US$6.2 million, of which US$2.5 million come from the domestic market. Annual growth rate is 10 to 20 per cent. In Malaysia, the local market is small but fast emerging. The domestic market includes certified local fresh produce and certified imported dry and processed products.

In almost every country, organic producers depend on non-government organizations (NGOs) and similar groups to help them to convert to organic farming, to market their products, and to get government support for organic agriculture. Governments rarely have programs for organic production.

## Institutional and regulatory framework

In recent years, many Asian countries have passed laws in support of organic agriculture. This development has resulted not only in the growth of exports but also of domestic consumption. In India and Thailand, these laws have long been in effect. Malaysia is set to implement its laws on organic agriculture, while the Philippines, China, and Indonesia are drafting their respective legislation. Meanwhile, Nepal has started to develop a national standard for organic agriculture products.

India launched the National Programme for Organic Production (NPOP) in April 2000. National standards for organic production and processing have been set up and certification measures have been established. Regulations for the use of the trademark "India Organic" have also been drawn up. In the Philippines, the Department of Agriculture has endorsed the Philippine National Standards as basis for standards setting in crop and livestock production. These national standards were adapted from those developed by the local certifier, OCCP. In Thailand and Malaysia, NGOs and the private sector are involved in the development of national standards.

### Certification

Most organic products in Asia are certified by foreign certification agencies, such as Ecocert (France), IMO (Switzerland), OGBA (USA), Krav (Sweden), SKAL (Netherlands), ACT (Thailand) and OCIA (USA). Many of these foreign certifiers have set up offices in a number of Asian countries.

Meanwhile, China (OFDC, CGFDC), Thailand (ACT, Organic Thailand), India (Indocert) and the Philippines (OCCP) have established their respective certification bodies.

Unless otherwise indicated, the information in the following country situationers was drawn from **"ORGANIC AGRICULTURE AND RURAL POVERTY ALLEVIATION: Potential and best practices in Asia,"** published by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in 2001. *An online version of this document is available at* http://www.unescap.org/rural/doc/oa/oa%2Dbgrd.htm

# COUNTRY SITUATIONERS

## CHINA

### Brief survey of the organic sector

#### Local production

As of 2001, more than 80 production bases and processing plants have been set up in China, not counting wild and aquaculture farming. In 1995 a total of 492 hectares were certified as organic; by 1999 this area increased to 17,773 hectares. Another 918.9 hectares were reported in the same year as in-conversion. The first group of organic products were those that were found in nature, such as tea leaves growing in the high mountains, soybean in northeast China, and honey collected from nature reserves, wild fruits and herbs.

#### Marketing and promotion

Among Chinese organic exports, the greatest demand by far is for its tea.

China continues to increase its market share in the global organic tea market. From 10.1 per cent of worldwide output in the 1950s, Chinese tea exports grew to 22.3 per cent in 1996. In terms of export volume, that is an increase from 6.5 per cent to 18 per cent of worldwide tea exports, making China second only to India in this regard.

China's other top organic exports are soybean, seeds, grain, tea, frozen fruit and vegetables.

***International trade.*** China is not on the European Union's third-country list for organic food imports to EU countries. As such, Chinese organic exports to EU member countries have been through individual licenses. (According to EU rules, countries not included in the third-country list by the end of 2002 may export their organic products to an EU member country in order to get its license.)

This set-up has many layers and therefore involves a number of middlemen and other agents. Local trading companies looking to market their products abroad enter into contract with foreign importers directly, or indirectly, through local authorized import-export corporations. Such a relationship with importers is not always stable.

Europe's marketing network is difficult to penetrate. And since OFDC accredited products are not internationally acceptable, Chinese exporters rely on foreign importers, who re-certify their products locally and pack them with their own trademark and label.

Local exporters keen to develop a market abroad have taken to cutting prices drastically, thus undermining the development of China's foreign market and causing heavy losses for other exporters. Nonetheless, the trade in organic products is still profitable, earning premiums of 20 to 50 per cent.

***Domestic trade.*** Organic food production in China has largely been export-driven. However, in recent years, some organic products have been marketed locally to meet the demand in bigger cities like Beijing and Shanghai. Locally, organic products fetch a premium of 10 to 30 per cent over conventional products.

### Consumer profile

Local consumers of organic products are still a minority. Only the highest paid workers and foreign expatriates can afford them. Most food buyers are not aware of organic products and cannot tell the difference between organic and non-organic food.

## Institutional and regulatory framework

In 2001, the Chinese government issued the State Proposal for Agriculture and Rural Work, which, among other things, emphasized the export of organic food. This document signalled the government's intention to become heavily involved in organic agriculture—from production and marketing to certification. However, there is as yet no agency that has been formally established or designated by the State for the purpose of administering matters related to organic production or its promotion. Neither is there a legal or regulatory framework, or even a specific policy or measure issued in regard to organic agriculture.

This vacuum has allowed foreign traders, together with "unofficial certifiers," to trade in organic products free of regulations.

***The Organic Food Development Centre.*** The Organic Food Development Centre (OFDC) was set up in 1994 as part of the State Environmental Protection Administration of the Ministry for the Environment. Its mandate is to promote and manage the development of the organic food industry.

OFDC set to work establishing linkages with certification agencies all over the world, in the process gaining experience in standards formulation and certification. By the end of 1999, the OFDC had certified some 20,000 hectares as organic. In 2001, it released its latest version of standards for organic production and processing. This drew heavily from the Basic Standards of IFOAM, the European Union's Council Regulation EEC No. 2092/91, and the International Certification Standards of the Organic Crop Improvement Association, as well as from other standards developed by organic farming associations or organizations in Australia, Germany, New Zealand, Sweden, the UK, and the US.

By 2003 OFDC had 18 branch centers all over China. These centers are not authorized to certify products; rather they are engaged in promoting organic farming and OFDC's inspection and certification functions, as well as providing training and consultancy, research,

publication and extension work. OFDC personnel also conduct inspection work for the Organic Crop Improvement Association (OCIA), which set up shop within the OFDC in 1995.
Organic farmers sign an agreement with OFDC, which obliges them to abide by OFDC's standards for organic production and to allow OFDC inspectors to monitor their farms for compliance. The OFDC Certification Committee examines the inspection report prepared by the inspector, then issues organic certificates to qualified production bases, processing plants and traders, who can then use the OFDC organic seal on their products.

The following products are certified by the OFDC and the OCIA:

- Tea (green tea, black tea, Pu'er tea and oolong tea)
- Honey (locust honey, Chinese linden honey, and royal jelly)
- Milk (milk powder, fresh milk)
- Grain (soybean, rice, barley, wheat, green soybean, peanut, buck wheat, sesame, red bean, Job's tears, sunflower, pumpkin seed, pine nut, kidney bean, black bean)
- Vegetables (spinach, cauliflower, cabbage, burdock, carrot, etc.)
- Health care products (barley seedling powder, ginkgo extract, and brand ginseng tea)
- Bamboo shoot products (spring bamboo shoot, air-dried bamboo shoot)
- Fruits (pineapple, passion flower, kiwi, navel orange, loquat).

The Western model for organic production is clearly evident in OFDC's standards. For instance, the OFDC requires that no synthetic fertilizers and pesticides had been used in the last three years prior to applications for certification. However, to date the IFOAM has not seen fit to accredit the OFDC as an independent certification body because a number of OFDC's operations (i.e., internal quality management, certification procedure, and documentation) still fall short of IFOAM's requirements. As a result, products certified by OFDC are not accepted in many international markets, particularly in Europe.

***Organic Tea Research and Development Centre.*** Formerly a branch of the OFDC, the Organic Tea Research and Development Centre (OTRDC) now operates independently of the OFDC and focuses on establishing organic standards for tea.

***Foreign certification agencies.*** There are primarily two systems for certifying products for the export market. The first is by having

products certified directly by overseas certifiers like GFRS (Germany), ECOCERT (France), the Soil Association (UK), and the Organic Crop Improvement Association (OCIA) (US). The second is for external certifiers to conduct the inspection through their local representatives.

This situation has put foreign certifiers in direct competition with local certifying agencies like the OFDC for a rather small "certification market." Actually, the competition for such a market is far from free, as the foreign buyer usually selects the certifier.

### Challenges in the promotion and marketing of organic products

- Organic food exports from China do not have the requisite certification to be marketed aggressively abroad. Local producers and trading companies are therefore dependent on individual overseas importers, who re-certify, re-pack and re-label Chinese exports in their own countries. As such, exporters are at the mercy of their overseas buyers.
- A well-developed domestic market for organic products would have lent some stability to this sector. Unfortunately, the domestic market is still too small. Instead, organic farmers produce for their overseas importers on-demand.
- Organic products from China are usually raw, unprocessed, and poorly packaged, primarily because these would have to undergo processing and re-packaging in the importing countries if they are to be sold at all. Thus, compared to the margins of international traders and processors, the profit earned by producers is pitifully small.

*Source:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.

## INDIA

### Brief survey of the organic sector

#### Local production

There is no official estimate of the area under organic agriculture in India as there is no central agency that collects and compiles this information. However, other agencies have come up with indicative figures. The study undertaken by FIBL and ORG-MARG

(Garibay S V and Jyoti K, 2003) puts the area under organic agriculture at 2,775 hectares (0.0015 per cent of gross cultivated area in India). The SOEL-Survey estimated the area under organic cropping at 41,000 hectares. The same survey puts the total number of organic farms in the country at 5,661, while the FIBL and ORG-MARG survey puts it at 1,426. Some of the major organically produced agricultural crops in India include plantation crops, spices, pulses, fruits, vegetables and oil seeds, etc.

The current production of organic crops in India is around 14,000 tons (Garibay S V and Jyoti K, 2003). Of this, tea and rice contribute around 24 per cent each, while fruits and vegetables combined make up 17 per cent.

India is well known as an exporter of organic tea and also has great export potential for many other products. The other organic products in which India has a niche market are spices and fruits. In contrast, the domestic market for organic products is as yet not as developed as the export market.

India exports around 11,925 tons of organic products, or 85 per cent of its total organic crop production. The major export markets for Indian producers are Australia, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Singapore, South Africa, Saudi Arabia, UAE, UK, and USA. In 2002, around 3,000 tons of tea were exported, the highest in terms of volume, followed by rice (2,500 tons), fruits and vegetables (1,800 tons), cotton (1,200 tons), and wheat (1,150 tons).

## Marketing and promotion

The current market share of organic products in India has been estimated at a mere one to two per cent of the total food products market, but this is forecast to grow in the medium-term to five per cent.

The products available in the domestic market that are of organic quality are rice, wheat, tea, coffee, pulses, fruits and vegetables. As most of this produce originates from small farmers, wholesalers/ traders account for a 60 per cent share in the distribution of organic products. Large organized producers distribute their products through supermarkets, as well as through self-owned stalls.

Considering the profile of existing consumers of organic products, supermarkets and restaurants are the major marketing channels for organic products – mostly in the metropolitan cities like Delhi,

Mumbai, Chennai, Kolkata, Bangalore and Hyderabad. The sale of organic produce in these metros is, to a large extent, based on the individual initiative of farmers, Non Governmental Organizations, entrepreneurial traders, etc.

The current demand for domestic green products is mainly for fruits, vegetables, rice and wheat. Other products include tea, coffee and pulses. The market prospects for other commodities like organic spices, fruits, herbal plants and cotton are relatively high. In the next five years it is projected that organic spices would grow by 14 per cent, fruits, by eight per cent, and herbal plants and cotton, by seven per cent. The market for a range of organic agricultural products is estimated to reach 1,568 tons in 2006-07.

### Pricing and consumer profile

Studies have shown that awareness about the presence of organic products in India is quite low. In general, consumers are aware of the following organic products: rice, wheat, tea, coffee, pulses, fruits, and vegetables, but only a small percentage of them actually used such products. The major reason for the use of organic products is health consciousness, with environmental issues or concern for the well-being of farmers being barely relevant to consumers.

One study conducted in Mumbai revealed that the purchase ratio of organic to conventional products was 1:10, while purchase frequency of organic products was at least once a month. In terms of pricing, organic products were reported as costing approximately twice the price of conventional products.

## Institutional and regulatory framework

### Labelling and certification

The Government of India has planned a National Program for Organic Production and Certification, aimed at providing an institutional mechanism for implementing national standards for organic products through a National Accreditation Policy and Program.

In the case of export of organic products, the government has issued a public notice stating that no certified organic products

may be exported unless they are certified by an inspection and certifying agency duly accredited by one of the government-designated accreditation agencies. For the domestic market, it was expected that certification would have been made compulsory by 2003. As of that year, there were six duly accredited certification bodies in India, five of which were Europe-based and the sixth India-based.

Among the constraints creating resistance to organic product certification have been: cost, quality and availability of service, length and complexity of the procedure, questions on international validity, the belief that certification should be required only for export products, and the perception that certification is not necessary in the first place.

## Challenges in the promotion and marketing of organic products

- Lack of market information in general and organic market information in particular is the biggest drawback of Indian organic agriculture. The current information base is low and even the limited information available does not get disseminated due to lack of adequate channels for dissemination. As a result farmers are in a predicament as they are unable to attune their production practices to market changes. A marketing network specifically for organic products has not yet been developed for both the domestic and export markets.
- The quality of the Indian food industry is always a constraint to growth; inconsistent quality and contamination in food products is a hindrance to capturing a big share of the international market.
- The high cost (Rs.22,000 to Rs.29,200 per certification), not to mention the time it takes to get farms certified as organic, and the complexity of the whole process is a major deterrent to the development of organic production in the country, particularly among small farmers.
- Government has shown little interest in organic agriculture. There is still no direct support from government in terms of subsidy or market support for organic agriculture.
- Lack of proper infrastructure, *i.e.,* farm-to-market roads, cold storage facilities, and transportation, affects the cost, quality and reach of producers.

- Indian organic agriculture is very fragmented; there are no organizations for managing the entire value chain of organic products.

*Sources:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.
Association of Voluntary Agencies for Rural Development (AVARD), "Enhancing Capacities on Sustainable Agriculture for Poverty Reduction: National Paper on Agriculture in the Indian context," 2004.

Garibay, Salvador V. and Katke Jyoti, "Market Opportunities and Challenges for Indian Organic Products".

## INDONESIA

### Brief survey of the organic sector

Indonesia's potential for developing organic agriculture is actually great. Indonesia has approximately 17 million hectares of idle land that can be put to such use. In addition, many peasants still practice traditional agriculture, which should make the adjustment to organic agriculture easier and faster. Crops such as durian, mangosteen, zalacca fruit, lanseh fruit and rambutan, are generally produced without any synthetic material inputs. Likewise, backyard crops such as medicinal plants and several plantation commodities, such as coffee, can be produced without any synthetic inputs either.

The ELSSPAT and BIOCERT (NGOs in Indonesia) estimate that organic agriculture in the country is growing at approximately 10 per cent per year, and the growing number of supermarkets, outlets, and other alternative marketing models for selling organic produce in many cities can attest to this. IFOAM has reported that around 40,000 hectares, or 0.09 per cent of the country's agricultural land, are currently being farmed organically, and that Indonesia is ranked 37$^{th}$ worldwide in terms of organic land management.

However, the government itself has yet to come out with definitive data on the extent of organic farming practice in Indonesia.

### Institutional and regulatory framework

In connection with the "GO Organic 2010" program, the Ministry of Agriculture has undertaken the following: (1) formulation of the

Indonesian National Standard for Organic Food (SNI Number 01-6729-2002); (b) establishment of the Standardization and Accreditation Center (PSA) as the competent authority on organic food pursuant to Decree of the Minister of Agriculture Number 432/Kpts/OT.130/9/ 2003.

The PSA has the following duties: (1) formulating policy on arrangements for, and control and supervision of the organic food production system; (2) designing and formulating the system and references for the establishment of the organic food certification institution; (c) supervising the certification institution and/or the business board that would implement the quality control system for organic agriculture in the certification program.
In connection with the mandate above, the Organic Food Task Force was established, consisting of the following elements: Government, Private Sector, Technical Experts, Drug and Food Supervisory Board (BPOM), National Standardization Board (BSN), National Accreditation Committee (KAN), Universities, Practitioners, Peasants/ Producers and Consumers.

Despite all these, there remain several obstacles to the development of organic agriculture in Indonesia, such as (1) lack of consumer confidence in the organic certification system and/or institution; (2) lack of international accreditation for the organic certification; (3) not enough organic inspectors, particularly those who are acknowledged internationally; (4) insufficient awareness/knowledge among peasants of organic agriculture; (5) the long recovery and de-contamination period of land that had long been farmed with chemicals.

## Challenges in the promotion and marketing of organic products

There is a big domestic market for organic products in Indonesia. Supermarkets, in particular, are a potentially lucrative market for organic growers. Unfortunately, peasants have generally been unable to take advantage of this opportunity because the big agribusinesses, especially those dealing in organically grown vegetables, have a corner on this market.

There are other obstacles to access to supermarkets by peasant organizations:

- Consumers are still skeptical of whether the organic requirements have been met.

Organic products grown by peasant groups have not been formally certified as such. Only the big agribusinesses have been able to get organic certification for their products. Second-crop and vegetable peasants have a hard time because their land still contains chemical residues from the previous conventional agricultural practice. It would take three to five years to completely rid the land of such residues. Several peasant groups and NGOs have suggested that rather than the produce, the farming method may be certified as organic.

Irrigation water sources are not yet free from chemical contamination. Hence, peasants in a given area should agree not to use chemicals that could contaminate their common water source.

- There is no well-functioning quality control system at the peasant level.

  In regard to organic rice, peasant organizations can help guarantee uniformity in the quality of their members' produce and that this conforms to market demands.

- In general, the supermarket practice of delayed payment works against peasants who need to be paid on the spot to meet their household daily needs and to prepare for the next planting season.

Apart from the difficulty of marketing their products, organic peasants often find that their products fetch prices that are not

much higher than those offered for conventional commodities. And ironically, after selling their organic produce, peasants buy cheaper non-organic food for themselves.

There is therefore a need to help peasants realize that the point of organic farming is not merely to get a higher price for their crops, but to improve the fertility of the land, to restore to peasants the right to make farming decisions, to provide healthy food to their families, and to mobilize the spirit to resist the negative impacts of globalization.

As of 2005, it was reported that several farmers/farmer groups and NGOs have become involved in organic agriculture because of their recognition of its values such as empowerment, self-reliance, and environmental responsibility. The private sector is also interested in organic products for the market opportunities they offer. Certification of organic products is obtained from international certification bodies. However, small NGOs often have an unclear understanding of "organic" and "certification", as they tend to target fully organic certification without considering the conversion process to organic.

In the effort of NGOs to help farmers facilitate the marketing of their products, the idea has been mainly to replace the current market chain. However, cutting the chain in order to obtain better prices for the farmers has proved unsuccessful and has, in fact, resulted in problems with the current market players without benefiting the farmers. Thus, among the latest practices of NGOs in helping farmers to get fair prices for their products has been the improvement of the agriculture chain and fair trade.

Another challenge to the success of organic agriculture is the lack of cooperation among the NGOs involved. Although each NGO performs good work individually, different interests and issues tend to hamper the NGOs from working together and with other stakeholders (e.g., the government, the private sector).
At the national level, the government has yet to break down the program of agricultural revitalization into a more workable plan, but there are good opportunities at the lower (district) level. The strong decentralization orientation in Indonesia gives a chance for many stakeholders to start on a smaller scale in certain areas. The local government, however, still requires ideas and inputs from the other stakeholders on how it can it best contribute to this effort. NGOs thus play an important role in this respect. It is a

major challenge to them to seek the best means of approaching the government and other stakeholders, and finding ways to work on Sustainable Agriculture programs together. Donors and international NGOs are likewise essential players in this effort.

Source: Irfansyah and Dwi Astuti, "Agriculture Situationer in Indonesia," BINADESA, 2004.

# MALAYSIA

## Brief survey of the organic sector

### Local production

As of 2001 there were 27 reported organic producers in the country, covering some 130 hectares. These figures however account only for vegetable and fruit production so the actual extent of conversion at the time was probably greater. At any rate, this represented a five-fold increase since 1996 in the number of organic producers in the country.

### Local processing

There are a number of small local bakeries using imported organic ingredients. Meanwhile, locally produced organic products are being used to make soy-based food items, some sauces, and pickles. These are sold at local health food shops, but are not labelled as organic.

### Marketing

The domestic market for organic products is undeveloped. Although efforts to build up this market started as early as the 1990s these had been hit-or-miss affairs, and were constrained by start-up problems. As of 2001 some 60 dealers were reportedly operating in the country; these consist of health food shops, home-based distributors, and supermarket chains carrying organic items.

The main market in the country is the Klang valley, where Kuala Lumpur, the capital city, and a number of suburbs are located. All the major importers, distributors, and most dealers are also found there. However, other cities, such as Penang, Ipoh, and Johore Baru, are fast becoming major distribution centers for organic products.

Kenji Fresh Foods, which is based in Subang Jaya, outside Kuala Lumpur, handles half of all locally produced organic vegetables in

the Klang valley, and is the largest wholesaler and distributor of local fresh produce.

Conventional food importers and fresh produce wholesalers generally have not been involved in marketing organic food items. Rather, companies set up for this purpose have a corner on this market.

### Promotion

Print ads for organic products usually come out in health-related magazines, rather than in newspapers. Dealers use word-of-mouth and personal endorsements to develop clients. Occasionally, events like World Food Day or environment-related observances are used by dealers to give out fliers, handouts and other promotional materials.

### Pricing and consumer profile

Prices for imported and local organic products are about four times higher than those of conventional products. Among the various outlets for organic food however there can be significant price differentials, e.g., between a health food shop and the wet market. Cancer patients used to be the major patrons of organic food. The market has since become bigger to include consumers with a professional background, medium to high incomes, with children, and mostly Chinese.

## Institutional and regulatory framework

### Labelling and certification

Malaysia has no local organic certification body or laws pertaining to the labelling of organic products.

There are only two distributors of organic products that have international certification. Kenji Fresh Foods got its certification in 1999 from KRAV, an international certifier based in Sweden. This certification covers products sourced from Kenji's six registered supply farms, with a total registered organic production area of about 10.8 hectares (2001). Radiant Code is the other internationally certified Malaysian dealer. Its certification comes from the New Zealand Based BioGro and covers only the repacking of organic imports.

### Quality assurance

There are no clear standards from the government for organic production and processing. As a result, quality control initiatives have had to come from the private sector. One such initiative is


the Organik Network system run by Kenji Fresh Foods. Under this system, the latter's supply farms are visited at least twice a year. KRAV's inspectors also conduct visits. Kenji Fresh Foods bears all the costs of KRAV's visits, including the daily fee rate (i.e., from $150 to $550), international travel of KRAV's inspectors, board and lodging, administrative and certification charges, as well as the license fee for the use of KRAV's logo.

In return, Kenji Fresh Foods' suppliers agree to a fixed purchase price for predetermined volumes. These producers then get 40 per cent of the retail price. Conventional producers get only 10 per cent.

## Challenges in the promotion and marketing of organic products

While the organic market in Malaysia shows every sign of growing into a thriving niche sector, market volumes are expected to remain small. Food production in the country is just a small part of the agriculture sector. Even if all the vegetable farms were to go organic, this conversion would account for just 1 per cent of cultivated land.

Food imports will remain significant, as the more popular food items either cannot be grown in the country (e.g., apples and oranges) or cannot be competitively grown there (e.g., onions, garlic, pulses).

Organic commodity crops may have a brighter future. There is for instance strong international interest in organic palm oil. However, the development of this commodity is bound to favor the large plantations rather than the smallholders.

*Source:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.

# PHILIPPINES

## Brief survey of the organic sector

### Local production

The coverage of organic farming in the country includes areas that are traditionally organic and those that have been converted from chemical farming. Traditionally organic areas refer to production areas which have remained largely free of synthetic inputs despite the Green Revolution. The most extensive of these are coconut farms. Of the more than three million hectares planted to coconut, just 20 per cent are treated with chemicals, and these only indirectly, because the chemicals are really intended for the crops intercropped with coconut. Next to coconut, banana and coffee that are grown as backyard crops do not need chemicals. Neither does a great variety of fruit trees, cultivated on a small-scale.

Estimates of areas under traditionally organic production are: 2.747 million hectares for coconut, 0.130 million hectares for banana, and 0.041 million hectares for coffee. Thus, organic coconut makes up 28 per cent of the country's total agricultural area; while altogether, organic coconut, banana and coffee constitute about 30 per cent.

Meanwhile, areas converted into organic production are mostly Low External Input Sustainable Agriculture (LEISA) farms. According to the most recent estimates, such farms cover less than 100 hectares.

***Rice.*** Three of the biggest groups involved in organic rice production (MASIPAG, Xavier University's SAC, and PAKISAMA) reported a total (*i.e.,* combined) organic rice area of 2,675 hectares among direct members. Assuming that there is at least a 10 per cent simultaneous infusion to non-members, then the total area could be about 3,000 hectares. Assuming further that all the other small groups have a similar coverage of 3,000 hectares, then there is an overall total of 6,000 hectares under organic rice production, or a mere 0.2 per cent of the total paddy rice area.

***Other crops.*** The production area for organic sugar cane, banana, and vegetables is estimated at 0.1 per cent of the total area planted to each of these crops.

### Yield from organic production

PAKISAMA has reported the following average yields from organic rice (1996-1999):

- Luzon 3,350 kg/ha
- Visayas 2,974 kg/ha
- Mindanao 3,250 kg/ha
- Average 3,191 kg/ha/season

Meanwhile, MASIPAG organic farmers in Surigao del Sur have reported an overall average of 3,191 kg/ha/season for organic rice. This is only slightly less than the country's average of 3,350 kg/ha for irrigated rice under conventional or high-external-input farming.

The average organic rice yield by SAC was 3,440 kg/ha which is about 1,000 kg/ha less than the average of 4,400 kg/ha from conventional farms in the vicinity; however, the return on investment (ROI) from organic rice was 2.37, compared to 1.10 from conventional rice. In this instance, the ROI was based on the cash cost of production only; if both cash + non-cash costs were taken into account, the production cost would exceed the net profit from the conventional production system.

In the MASIPAG site in Surigao del Sur, an income analysis of the 30 organic farms gave an average ROI of 2.15.

### Local processing

There is no major post-harvest facility for handling organic products. Each trading group handles only such volumes as they can manage.

### Marketing

Organic producers in Luzon, Visayas, and Mindanao market their produce under their own labels. In vegetable-growing areas in Northern Luzon, some NGOs purchase organic products from farmers (with little vegetable plots) and sell these at urban centres. In places where there are POs of organic rice farmers, market outlets for organic rice are few, if any. In some cases, the NGO partners take on the task of marketing the rice, but these are the exception.

Organic vegetable growers had been selling their produce haphazardly until OPTA set up special outlets in Manila for organic vegetables, and thereby distinguished these from conventional farm produce.

Meanwhile, organic food exports are handled by only a few groups. One of these, Altertrade, is a private corporation that supports small and marginalized farmers. For instance, Altertrade buys organic banana from small growers in Negros and Bicol and exports these to Japan.

Altertrade is itself a producer of muscovado (sugar produced by heating sugar cane juice in open pans) and having secured international certification for its product, it regularly exports muscovado to Europe and Japan.

### Pricing and consumer profile

The price differential between organic and conventional products is determined primarily by quality and the target market. For instance, prices for organic fancy rice (red rice, black rice, aromatic rice), patronized by the high-income class, can go up to 100 per cent more than ordinary conventional rice, which has no equivalent fancy varieties. For the middle-income class, a slightly higher price (10-15 per cent more) is tolerable. Once the products have been certified as organic, prices are expected to go up even higher. However, in rural areas, some producers offer the same prices for organic products as conventional products, simply to develop or expand their clientele.

Buyers of organic products at outlets such as small specialty shops and OPTA, for instance, are generally households belonging to the high-income and upper-middle-class income groups. However, lower-middle-income and low-income households have been observed to patronize organic products selling at prices for conventional products following exposure to promotional campaigns. Rural households in places where organizations of organic farmers are strong also consume organic products more or less regularly.

## Institutional and regulatory framework

### Labelling and certification

The Philippine government has not formulated basic standards for organic production and processing. Neither has it set up a regulatory

body for organic certification nor an agency for accreditation of organic certifiers.

These functions have therefore been taken on ad hoc by the private sector and non-government organizations. A document containing organic certification standards adopted from the IFOAM Basic Standards was prepared by FOODWEB in the mid-1990s, and refined in a series of regional consultations/workshops held in Luzon, Visayas and Mindanao. In the middle of year 2000, at a national workshop, the document was adopted as the Standards for the organic industry.

Soon after, the Organic Industry Technical Working Group, made preparations for an orientation training in organic certification and inspection. In December 2000, selected members from the organic movement were trained by Swiss consultants. Based on this training and reference materials from various countries, a "Manual of Operations for Organic Certification" was drafted, along with an "Inspectors Manual". The Standards document adopted at the 2000 workshop was also scrutinized by a Swiss consultant to ensure consistency with international norms.

On the basis of these three documents, the Organic Certification Centre of the Philippines (OCCP) was officially launched on June 22, 2001. On the same occasion, the OCCP held its first General Assembly and elected its Board of Trustees from among representatives of member organizations. OCCP members consist of farmers' organizations and federations, NGOs, the private sector and individuals from some government agencies (CITEM, DA, and Philippine Coconut Authority) and the academe.

At the same time, an NGO, the Alliance of Volunteers for Development Foundation (AVDF), has also set up a certifying body, called "Philippine Organic Guarantee Incorporated" (POGI), which purportedly counts POs of indigenous peoples as members and conforms to IFOAM standards.

## Challenges to the marketing and promotion of organic products

The major limitations to the marketing and promotion of local organic products stem from the absence of the following:

- Local and operational guarantee system (which could take the place of expensive foreign certification)

- Labelling system
- Distinct markets and market channels for bigger volumes of organic products and
- Post-harvest facilities

*Source:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.

## SRI LANKA

### Brief survey of the organic sector

#### Local production

There is no official data from government sources on the number of organic farmers, the extent of their land, costs incurred, yield, etc. in Sri Lanka as a whole. However, according to the Export Development Board, in 1999 there were about 7,500 farmers involved in organic cultivation in about 3,200 hectares of land, about 1,200 hectares of which were recorded as land in conversion. Fifteen companies were operating in the organic export trade, covering organic production from about 3,000 hectares of certified land. The Board's database, however, did not include information on the extent of uncertified organic land cultivated and producing for the domestic market.

#### Markets and post-harvest handling

A growing number of organic farmers in Sri Lanka are receiving higher prices and more long-term security by selling their products in fair trade markets in Europe and North America.

The major market channel for organic produce in Sri Lanka is the export market. The Export Development Board helps organic exporters to participate in international trade fairs to explore market opportunities for certified organic produce. Regional markets have not developed to the level of international markets; and the domestic market, while slowly growing, has not reached the level of a formal organic market.

### Local processing

Data pertaining to post-harvest loss of organic produce due to poor handling practices is not available. The main actors in post-harvest handling and marketing are producers cooperatives or producers groups, along with a facilitating organization such as a private company or a local NGO.

### Pricing policies

There is no official pricing policy for organic paddy or any other organic produce. So although there is a price support system for conventional paddy agriculture, it does not distinguish between organic and conventional paddy farming. Organic paddy farmers derive only the same benefits as chemical farmers. The government has yet to formulate a clear policy on how to "reward" current and future organic farmers for their contribution to conserving the environment from agrochemical residues.

In the *export* trade of organic produce, a premium price scheme is in operation. The government does not interfere in fixing prices for exported organic produce. In the *domestic* market, there is no formal premium price system, although organic produce (not certified) is usually sold at higher prices in the capital Colombo.

### Consumer characteristics and price structure

In a survey done among organic consumers in Sri Lanka (PALM Foundation 1999), it was revealed that they wanted fresh, attractive, tasty, nutritious and convenient organic foods. They wanted to purchase produce of high quality at affordable prices. Many wanted to know who grew their food and under what cultivation practices. They were also aware of the extra traveling time they had to spend to reach the place, the extent to which the place sold all kinds of organic vegetables and other food products on a regular basis, and the extent to which they were permitted to pick out the items, etc.

Price did not seem to influence their choice when there was a guarantee of organic produce. A considerable number of consumers, especially those in the urban and metropolitan areas, would be able and willing to pay higher prices, if a guarantee of supply and quality was assured. However, no outlet in Sri Lanka has the capacity to supply organic vegetables and fruits on a daily basis, and there is no systematized pricing structure for organic products.

It also helps to assure the consumers that the production and marketing of high-value, non-conventional, indigenous and local agricultural products (such as medicinal herbs and traditional agricultural and non-timber forest products) may offer small farmers and indigenous people ways of increasing their income in an ecologically-sound way.

Depending on the standard of living and income level of the consumers, their willingness to pay premium prices for organic produce varies. However, for health-related benefits, all consumers, irrespective of their income level, want to buy organic produce on a regular basis.

## Institutional and regulatory framework

### Organic standards

As of 2001, Sri Lanka had not yet developed local or national organic standards. However in 2002, a national workshop was scheduled among the networks involved in the organic sector in Sri Lanka, the Lanka Organic Agricultural Movements, the Ecological and Sustainable Farming Systems network, the organic agriculture network of Gami Seva Sevana and Analog Forestry Network (for forest garden produce) to decide on how to continue the process of developing the national standards which were initially drafted in 1996.

Prior to that time, seven foreign organic certifying organizations were certifying organic farms and processing units in Sri Lanka: SKAL, the Netherlands; NASAA, Australia; Naturland, Germany; Institute for Market Ecology-IMO, Switzerland; Eco Cert, Switzerland; Organic Farmers and Growers Ltd., United Kingdom; Demeter and BioSuisse, Switzerland.

### Group certification and fair trade organizations

In Sri Lanka, group certification of organic smallholder farmers is commonly practiced by certifiers, as the inspection of small farmers' groups, which can comprise several thousand members with widely scattered plots of less than two hectares on average, would pose a severe challenge. At the same time, fair trade organizations, such as the Dutch-based Max Havelaar, are also active in the trade of organic products, such as organic tea and spices. Max Havelaar is one of the major international fair trade organizations and focuses on agricultural products produced by small farmers in third world countries.

### Certification for export

The produce for export is consolidated from small farmer groups or organizations that have undergone an annual group certification procedure. The group certification involves spot checks by the organic inspector in the form of on-site inspections and interviews with randomly selected small farmers. The inspector also examines the internal quality control system (beyond cultivation: collection, transport, processing, storage, packing, and labeling) being implemented by a producer organization. Then the certificate is issued.

### Labelling

The common labeling system for exported organic produce is a fair-trade label and the label of the certifying agency. For the domestic market, local labels (not necessarily based on formal inspection and certification of lands) are used to generally inform consumers that certain products are free from chemicals. Certain other "unofficial" labeling systems are in use, such as that for forest garden produce from analog forestry, another for a farmer organization stating that their rice is "pesticide free" (although the label does not say "organic" because synthetic fertilizers are used in the rice's cultivation), and a third for a vegetable- and fruit-processing company stating that "no synthetic chemicals were used in the production process of the main ingredient in this product".

### Quality assurance

The guarantee system requirement for certified organic products and processes should comply with the standards of the respective certifying/labeling organizations. In the case of export products, the internal quality control system is examined by the external European inspector. If flaws are discovered, the number of spot checks and on-site inspections is increased. Group certification of organic smallholders follows. A contract is then drawn up between each small farmer and the organization to which he or she belongs, pledging to maintain internal standards as determined, with specific penalties agreed upon for every infringement. In the absence of official local standards, however, the system basically relies on trust between the farmers and consumers, and any internal control system in force locally.

*Source:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.

# THAILAND

## Brief survey of the organic sector

The predominant organic crops are rice and vegetables. For rice, there are five major producer groups and the produce is sold mainly through three traders. Most of the rice is exported (mainly to European markets) and only a small quantity is sold domestically. As of 2001 an estimated 16,761.375 rai of farmland was under organic management, representing around 0.01356 per cent of the total farmland.

### Organic producers

There are two types of Thai organic producers: (1) individual farm producers and (2) producer groups. As of 2001, almost all organic producers were organized as producer groups and only very few individual farms existed. In NGO-supported organic projects, producers were organized as farmer organizations. The organization provided members with extension support, including technical training, input credits, acting as a coordinated marketing mechanism for the members, and in some cases processing facilities. In the private sector, the norm was either large-scale corporate farms or contract farming systems.

### Organic cultivation potential

Potential organic producers are those already involved in sustainable agriculture, as implemented through the Sustainable Agriculture Foundation. As of 2001, there were 19 agro-ecology zones with 7,035 farming families (with 27,100 rai of farmland) participating in this project, which already includes some organic agriculture. Other potential producers are the so-called environment-friendly farming projects of local cooperatives and producer organizations. These claim to produce "natural agricultural", "pesticide-free" and even organic products (with no organic certification). There are also hundreds of producers claiming to use "hygienic" (also known as "pesticide-safe") production. These are conventional farms using pesticides and synthetic fertilizers, although supposedly at residue levels below the maximum set by Codex.

### Lack of competencies

As no official research and development is available, the private sector and NGOs are left to develop organic farming competencies by themselves. Even if private companies are able to hire crop

specialists to provide consultancy for organic projects, such consultants normally have limited knowledge of organic farming technology and certification requirements. Even for NGO-supported projects, the field staff often lack technical knowledge on organic farming. Recognizing this, several NGOs have tried to develop specific organic competencies for their members.

The largest network of organic competencies is coordinated by Green Net and Earth Net Foundation where a comprehensive organic conversion program has been implemented in eight provinces with over 500 farming families. The program comprises three components, Farmer Field School technical development, market access, and organic certification.

### Post-harvest handling and markets

As of the 2001 ESCAP report, almost all certified organic products were being exported. Only a small amount was being sold in the domestic market, with only organic fresh vegetables and cereals (mainly rice and beans) being available. No imported organic product was being sold in Thailand at that time.

A number of environmental-friendly and hygienic products were available in the domestic market. Consumers often confused these as organic because the labeling and advertisements present them as "health products". These were sold through supermarket chains, specialized shops, and direct marketing (membership). The main products sold through supermarket channels were fresh fruits, vegetables, and rice. These were displayed on the same shelves as conventional products, and the supermarkets did not make explicit advertising campaigns on the availability of organic and health products. In specialized shops, organic and health foods were the main feature – although these shops often had to carry conventional health food items as well, owing to the limited assortment of organic products. Clear labeling to differentiate the product quality, though, was often lacking, leading consumers to assume that all products in such shops were "green" and/or healthy. Direct marketing, at that time, focused only on fresh vegetables delivered to the consumer on a regular basis at a designated location (*e.g.,* the home or office).

### Post-harvest handling and processing

For organic rice, primary processing is necessary for grain milling. Post-harvest handling for organic rice include paddy storage, milling (dehusking and polishing), and packing. As of 2001, conventional milling technology was applicable to organic rice processing. The

critical problem was the disinfection technology needed to prevent storage insect infestation. Chemical fumigation is not acceptable by organic standards, so organic rice had to be vacuum packed or sold before rice beetles could infest the products.

There was also a high potential for primary and secondary processing of organic foods, such as in fruit drying, fruit and vegetable canning, and cereal-based processing. Almost all processing, however, was to be done by conventional manufacturing facilities (i.e., separate processing lines for organic produce, parallel to conventional processing) as it was not financially viable to set up a specialized organic processing unit at that stage.

### Consumer profile

According to the marketing experiences of Green Net, consumers of organic foods are mostly middle-class urban families with 1 to 2 children. Their average family income is around 30,000-60,000 Baht a month. Women members of the family do the purchasing, their concern being the health aspects of the food. Consumers receive information from newspapers, magazines, television and radio on the benefits and availability of organic foods. Most consumers regularly purchase organic and "green" food from conventional supermarkets and specialized stores. No active promotion is done by organic and/or health food producers and traders. Government agencies once in a while organize consumer information dissemination in the national media.

### Price structure

The only available information on pricing is from a Green Net internal market survey in 2001, based on vegetables sold in Bangkok supermarkets. The price structure for organic products is about 69.45 per cent higher than conventional products and 12.74 per cent higher than hygienic products.

## Institutional and regulatory framework

The first official recognition of sustainable agriculture occurred in the early 1990s with the Seventh National Economic and Social Development Plan (1992-1996). However, until the end of the

1990s, there were no government bodies or research institutions that were officials engaged in organic agriculture.

The Eighth National Economic and Social Development Plan (1997-2001) was the first and the current institutional framework at the national level that clearly describes sustainable agriculture, including organic farming. The inclusion of sustainable agriculture in the Eighth Plan was part of the result of policy advocacy by NGOs and farmer movements. It set an ambitious target of converting 20 per cent of arable land to sustainable agriculture. It defines sustainable agriculture to include "natural farming, organic farming, integrated farming and agroforestry" (NESDB 1997: 65). Nevertheless, no concrete plan of activity was proposed or implemented by the Ministry of Agriculture and Cooperatives until the Assembly of the Poor held a massive rally and forced the government to finance the Sustainable Agriculture Pilot Project.
As of the writing of the 2001 ESCAP report, the Ninth National Economic and Social Development Plan (2002-2006) was being drafted. It was criticized as being even more vague in language regarding the national framework for sustainable agriculture.

### Advocacy and regulatory groups

The Alternative Agriculture Network was established in 1984 as a national network of NGOs and farmer organizations to foster alternative agriculture in Thailand. It provides a discussion forum for experience sharing and policy advocacy for sustainable agriculture, including organic farming; and it has a decentralized structure for coordination with regional groupings. Green Net, founded in 1993, is one of the key movers in organic conversion, product development, and fair-trade marketing in Thailand. The Organic Agriculture Certification Thailand (ACT), founded in 1995, provides professional organic certification services for all farm production as well as processing and handling operations.

### International linkages

Two member organizations of the International Federation of Organic Agricultural Movements (IFOAM), Green Net and Sekai, are active in developing international linkages for Thai organic agriculture. On a bilateral level, there have been several exchange activities, research projects, and cooperation between Thai and foreign organizations. Thai organizations also provide technical consultation for local organizations in the Southeast Asian region. In terms of facilitating organic export, ACT developed a partnership with a Swedish certification body, KRAV, allowing ACT-inspected and

certified organic products to enter European markets. Through KRAV, ACT inspection and certification was also recognized by certification bodies in several European countries. In addition, as KRAV is IFOAM accredited, KRAV re-certification of all ACT inspection and certification could also be recognized by all IFOAM accredited certification bodies worldwide. Recently, ACT achieved international accreditation with the IFOAM accreditation program, the International Organic Accreditation Service – making ACT the first IFOAM accredited organic certification body in Asia.

### Certification

In Thailand, ACT is the first and only (as of 2001) Thai organic certification body that could offer internationally recognized organic certification services. This meant that local certification could be provided more cheaply but at the same time as efficiently and competently as that provided by foreign certification bodies. In 2001, ACT started a regional inspection and certification service for organic producers in Southeast Asian countries. Foreign certification bodies were also operating in Thailand, such as the Italian-based BioAgriCoop, the German-based BSC, and the British Soil Association. The Thai government also initiated an organic standards and certification service.

## Challenges in the promotion and marketing of organic products

As of the 2001 ESCAP report, there was still a lot of confusion among consumers and even traders as to what organic products are. Hygienic and health foods were presented as if they were organic products. Most consumers understood organic farming as farming without pesticide application and/or free of pesticide residues. Such confusion would not be beneficial for organic agriculture in the long term. Consumer education needed to focus on the environmental and social benefits of organic agriculture, as well as the importance of organic certification as a reliable private guarantee system.

*Source:* United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **"Organic Africulture and Rural Poverty Alleviation: Potential and best practices in Asia,"** 2001.