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What Is the Deal With the EU's Green Deal?

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Introduction

The recently proposed EU Farm-to-Fork Strategy (F2F), which is supposed to drive a more sustainable European food & agribusiness sector, also includes a goal of 25% organic land use in the EU by 2030. While the legislative process has not yet been finalized, the current draft would require a more than tripling of organic land in the EU from current levels. The related shift in land use could bring a structural change in the EU's G&O supply chain.

The Potential Impact of 25% Organic Land Use

Arable farmers: a shift in farming practices, diversification of the cropping plan (less G&O, more pulses and other smaller crops), and more complicated risk management.

G&O originators: emphasis on marketing more and different product streams to off-takers, quality control becomes more important to preserve organic certification, and a change in services and products offered to arable farmers.

EU member countries: a commitment from large EU member countries will be key in increasing organic land use in the country block – and there, it will also impact G&O and pasture. In 2018, organic land use in large EU farming member countries such as France (7.3%), Germany (9.1%), and Poland (3.4%) was far below the 25% EU target.

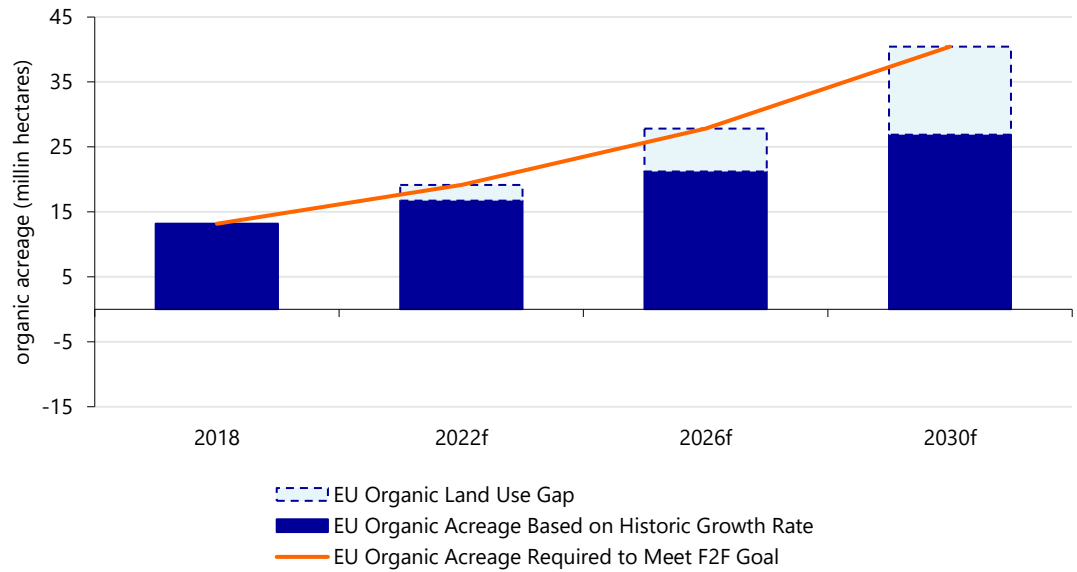
The F2F strategy is not yet entirely set in stone and might still change, but once agreed, it will be implemented in the EU's Common Agricultural Policy (CAP). Individual EU member countries will have to formulate a National Strategic Plan (NSP) under the CAP in order to execute the goals set forth in the F2F strategy. As a result, the EU could see different approaches among member countries as to how to achieve the F2F goals.

Current Growth in Organic Land Use Not Sufficient

Based on the most recent statistics (2018), 13.6m hectares of all of the 179m hectares of agricultural utilized area in the EU are under organic production. Looking at the split between sectors, both arable crops and permanent grassland each take up around 44% of these 13.6m organic hectares, with permanent crops at around 11%. In the period from 2008 to 2018, organic land use in the EU grew at an annual rate of 6.1%.

In order to achieve 25% organic land use by 2030, around 40m hectares of agricultural land would need to be under organic production in 2030. Using historical growth rates, organic land use in the EU would only reach 27m hectares in 2030. Annual growth rates need to increase to just shy of 10% CAGR in order to achieve the F2F goal for organic production (see *Figure 1*).

Figure 1: Organic land use in the EU (excl. the UK) under different scenarios, 2018–2030f

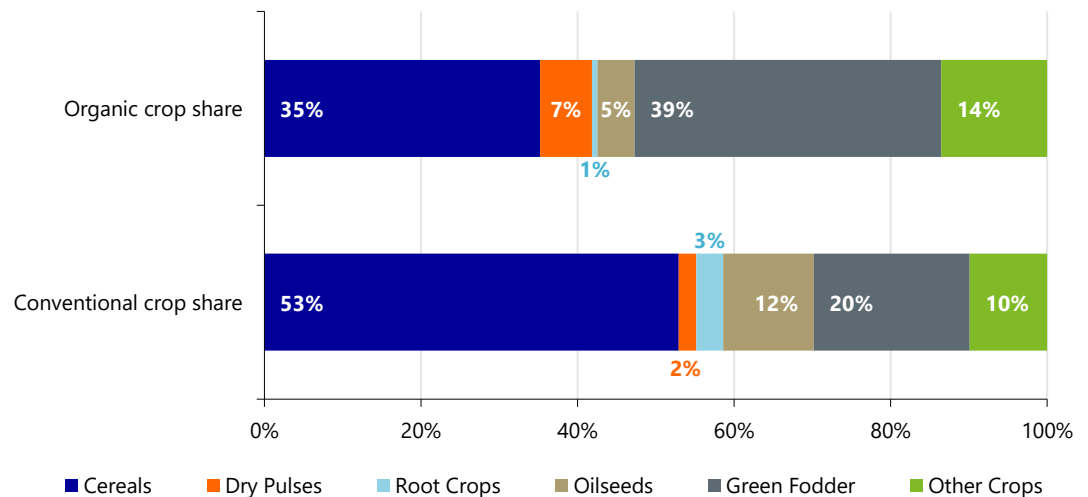


Source: FiBL, AMI, Eurostat, Rabobank 2020

A Shift to Organic Is Easier Said Than Done

For farmers, major barriers to entering organic G&O production are the three-year conversion period for arable crops and the strict certification scheme. Organic G&O production also means a shift in farm management practices – away from inorganic fertilizers, chemical crop protection, and traditional weed management; toward the use of more animal and green manure, with only limited possibilities to manage diseases and an increase in different crops grown on-farm (see Figure 2).

Figure 2: Organic vs. conventional crop shares in the EU, 2018



Source: Eurostat, Rabobank 2020

Growing organic G&O requires learning new skills and technologies, meaning that growers need to overcome a knowledge gap. Once growers have gained more experience, yields tend to increase. Organic production is considered to bring more risk to the farm than conventional G&O production. Part of this risk comes from more volatile and lower yields, and more complicated risk management.

Due to the restrictions and rules that organic production brings to G&O farmers, only by employing the appropriate (governmental-induced) economic incentives could the EU see an acceleration of organic production to achieve the F2F goals by 2030.

A Move to Organic Brings Challenges

European G&O originators will feel the impact of a shift to 25% organic land use. As cropping patterns shift, they will need to handle more product streams, as well as segregating these streams properly in order to prevent contamination and potentially losing organic certification. Risk management becomes more complicated, as no traditional hedging tools are available to hedge price risks associated with organic G&O production.

Many European G&O originators also sell farm inputs and provide agronomic advice to farmers. Here, the sector could see a shift away from conventional inputs, combined with an increase in the demand for organic services to support farmers in bridging the gap between conventional and organic G&O production.

25% Organic Land Use Remains Uncertain

The biggest challenger to a further increase in organic land use in the EU-27 is the European Commission's own Farm-to-Fork Strategy (F2F). The strategy sets clear goals in reducing the use of chemical crop protection and nutrients within European farming. This means that the perceived 'sustainability' gap between organic and conventional G&O production will be reduced in the years to come, hence reducing one of the arguments to increase organic land use in the EU.

Another important aspect in achieving 25% organic land use in the EU is the commitment of large EU member countries to increase organic production. For example, among important EU G&O producers such as France, Germany, and Poland, organic land use ranges between 3.4% and 9.1%. The commitment from large member countries will be key in achieving the F2F goals.

A lot remains uncertain with respect to the F2F and its final impact on the G&O value chains in the European Union. However, the European Commission is giving a clear signal to the sector that it wants to further reduce the environmental footprint of farming – either through conversion to organic land use or by improving resource use efficiency.

This leaves ample opportunities for G&O value chains in the European Union to further develop strategies in order to reduce the sector's environmental footprint.

Imprint

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