



SUPPORT FOR ORGANIC FARMING

Public thematic report

June 2022

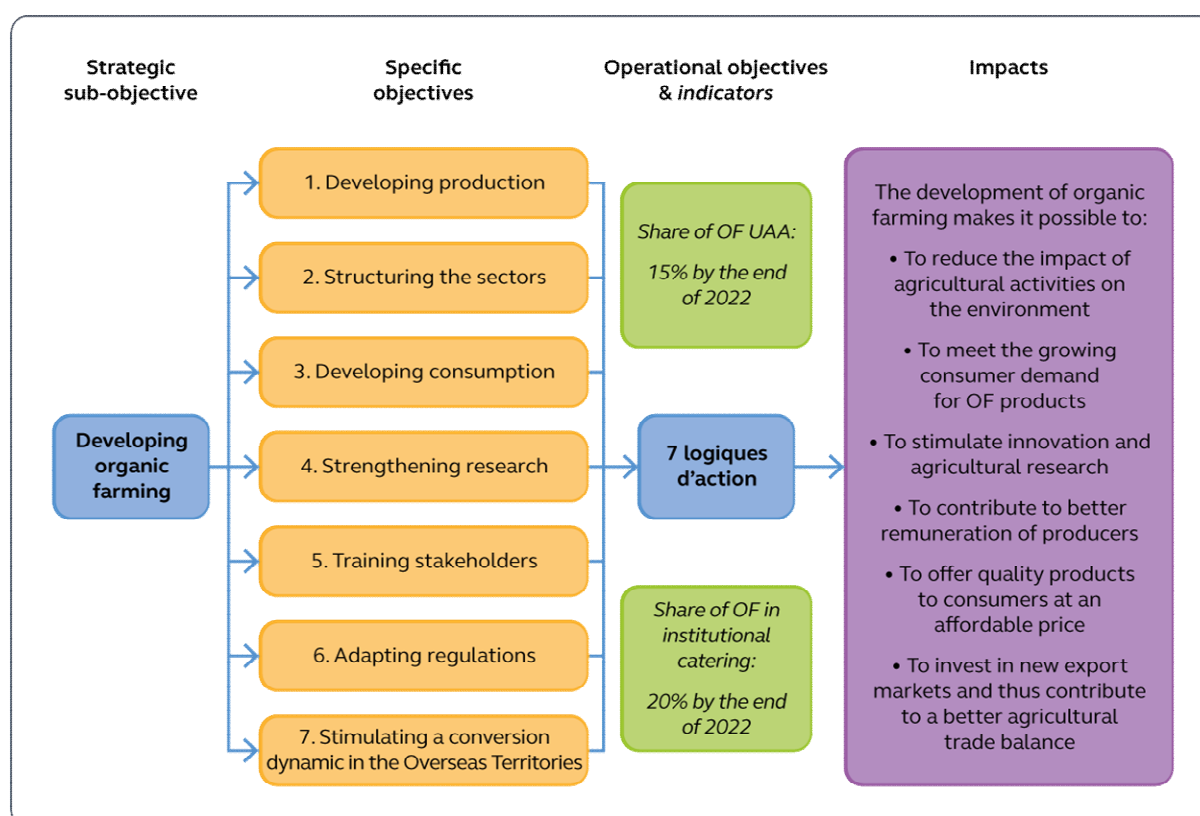
Executive summary

Organic farming is “a comprehensive system of agricultural management and food production that combines best environmental practices, a high degree of biodiversity, the preservation of natural resources, the application of high animal welfare standards and a production method that respects the preference of certain consumers for products obtained through natural substances and processes”, as defined in the European regulation. The latter sets out its specifications, compliance with which is verified each year by certification bodies, and gives the right to use the European Euro Leaf label and the French “AB” label.

Organic farming is particularly demanding for producers in terms of agronomic methods and techniques, but also for processors. According to the preamble to the Ambition Bio 2013-2017 programme, it constitutes, in contrast with conventional production, “a major and pioneering path and must play a driving role in the evolution of practices, particularly through dissemination towards other forms of agriculture”.

Since the 1990s, France has followed a policy of supporting organic farming within the European framework, mainly through the Ministry of Agriculture and Food (MAA), with increasing support from the Ministry for Ecological Transition (MTE). Several plans have been launched since 1998, including the Ambition Bio 2013-2017 programme, then the 2017-2022 programme, pursuing a series of objectives detailed in the following diagram, in particular two quantified objectives: 15% of useful agricultural areas (UAA) to be organic and 20% of institutional catering to be organic by 2022.

The 2017-2022 Ambition Bio programme

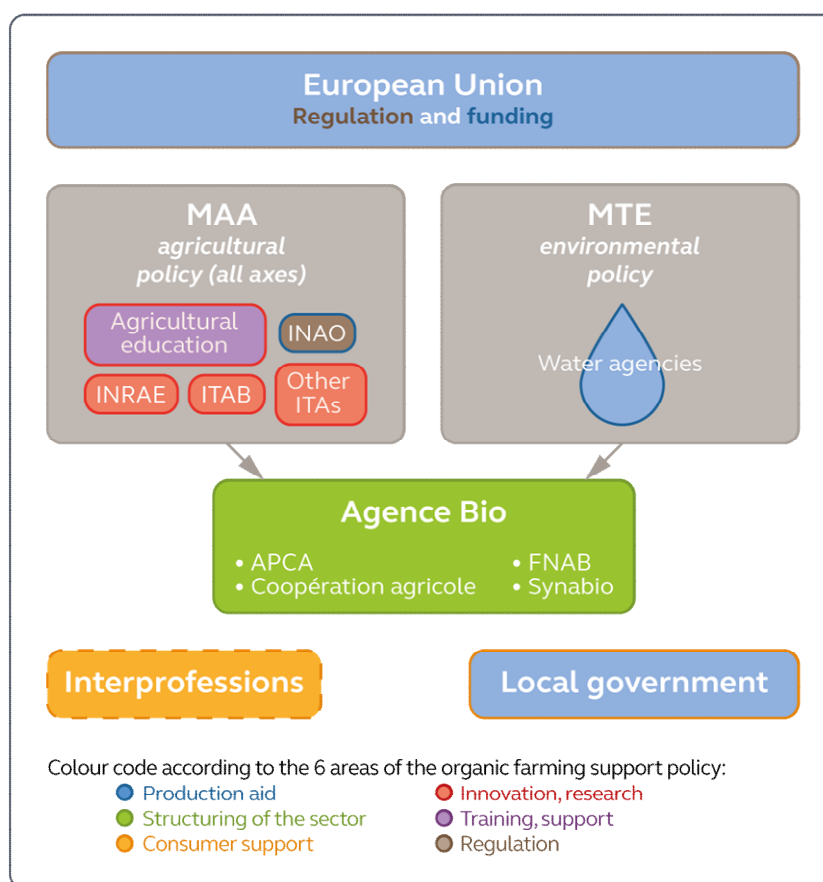


Source: Ministry of Agriculture and Food

The policy of supporting organic farming is implemented by a number of stakeholders, many of whom represent the entire agricultural world, which is still not very interested in this

particular form of agriculture. Figure 2 provides a simplified view of the supporting stakeholders.

Support system for organic farming



Source: Court of Accounts

This evaluation aims to assess the extent to which the tools and means of this public policy have made it possible to achieve the objectives defined by the successive programmes since 2010. It comes after 10 years of strong growth in organic farming at a key moment when questions are being raised about the sustainability of the model and at a time when the Common Agricultural Policy (CAP) is being redefined for the 2023-2027 period, with major agro-ecological transition issues affecting all French and European agriculture.

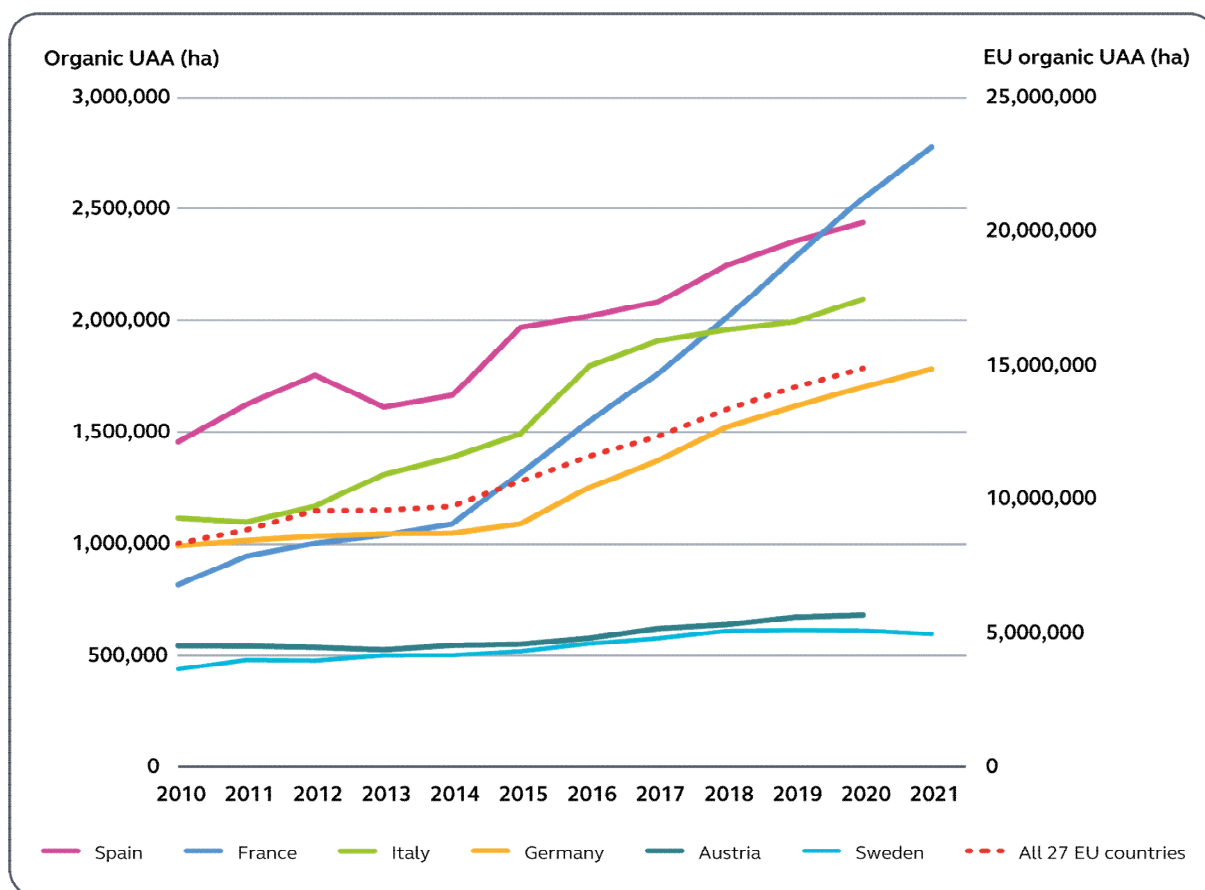
The work carried out by the Court, in conjunction with an advisory group, aims to establish findings and formulate recommendations that may help to achieve the objectives set for the development of organic farming in compliance with the framework set by the European Union. In addition to the new EU regulation of 2018 specifying the rules for organic farming, which will come into force in 2022, in May 2020 the European Union adopted the strategy “from farm to fork” as part of its Green Deal, one of the objectives of which is to devote 25% of agricultural land to organic farming by 2030. This evaluation is also part of the search for adequate cooperation and complementarity between organic and conventional farming on the basis of a better exploitation of comparative data and in order to facilitate the necessary agro-ecological transition¹.

¹ See Court of Accounts, Supporting the agroecological transition, October 2021

After a decade of strong growth in organic farming, turbulence in some markets

Organic farming was marginal in France for a long time, but it has made strong progress over the last decade, particularly since 2015, and France now ranks first in Europe for organic UAA with more than 2.8 Mha in 2021.

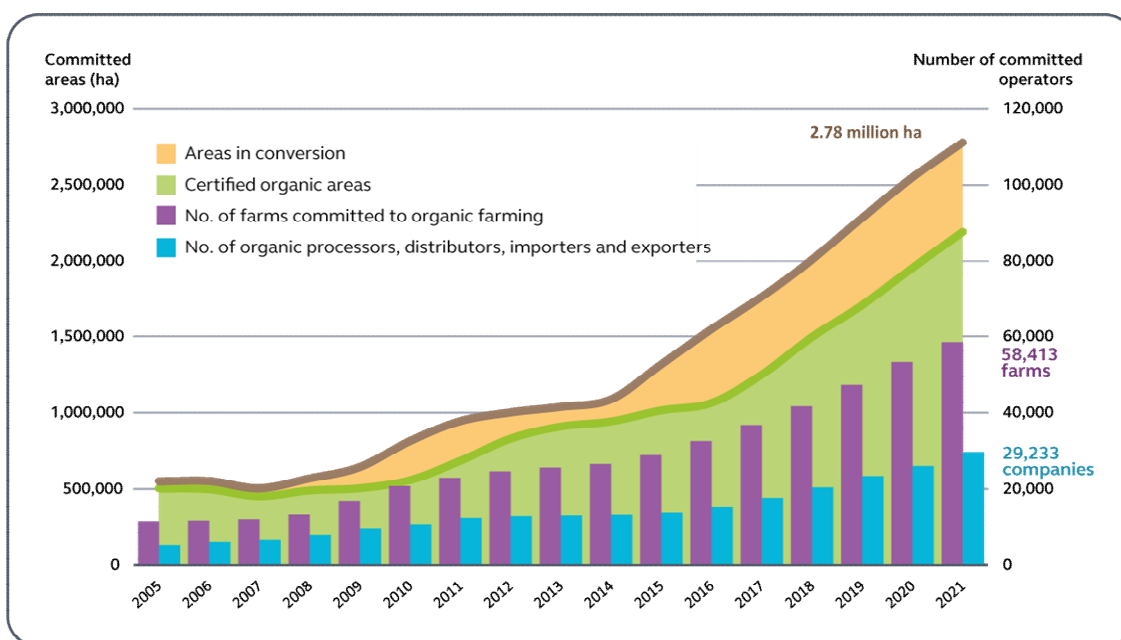
Evolution of organic areas and in-conversion areas in the main European countries (2010-2021)



Source: Agence Bio

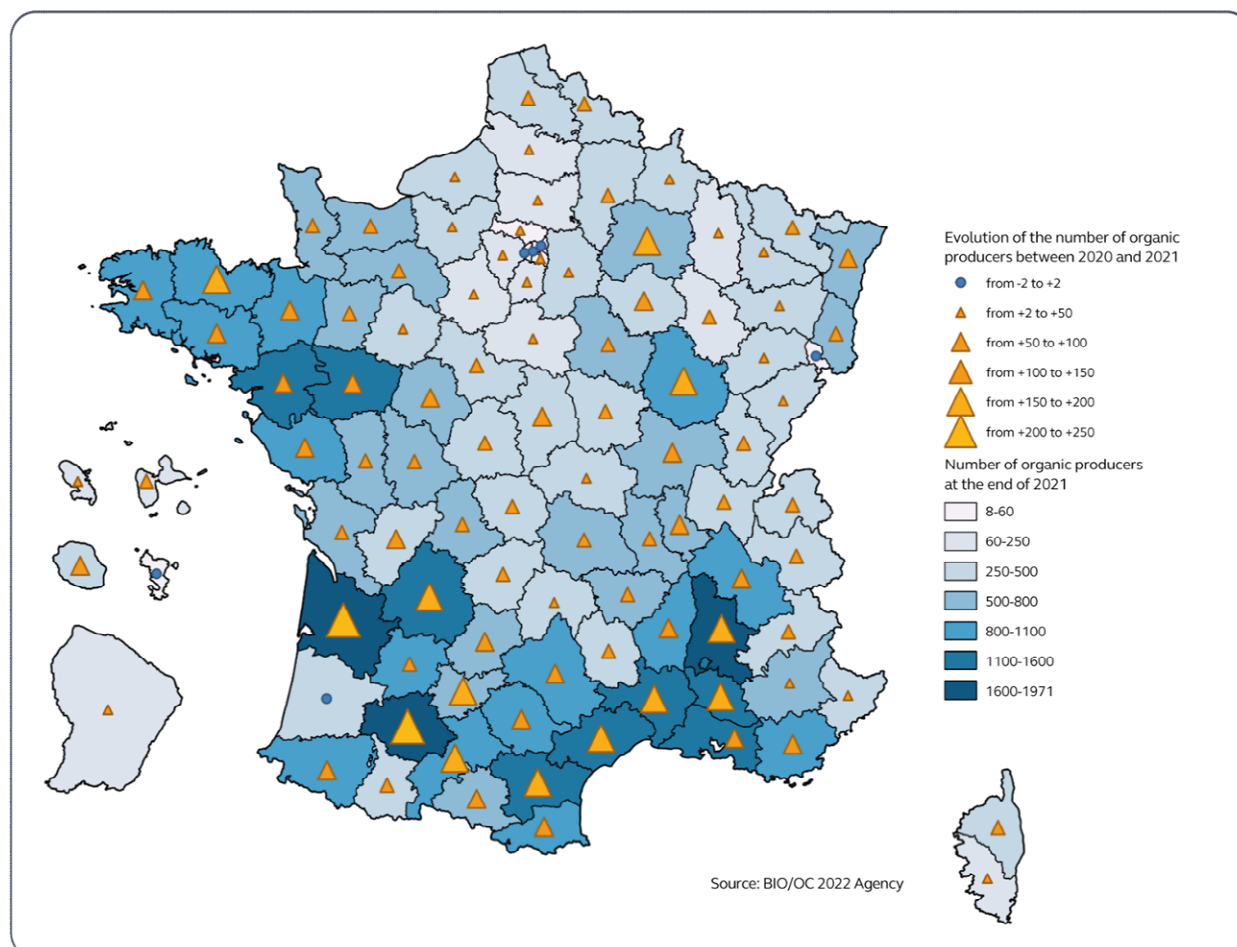
Between 2010 and 2021, it has increased from 4% to 13.4% of farms, representing 10.3% of UAA and 19% of farmers, who are on average younger and more educated. However, this growth is variable: for example, only 6% of land in the cereals sector, which represents 35% of the French UAA, is cultivated organically. Furthermore, although organic consumption has increased 3.5 times in 10 years, it still represents only 6.6% of household food expenditure in 2021.

Evolution of areas, farms and companies engaged in organic farming 2005-2021



Source: Agence Bio

Share of land under organic farming by department (2021)

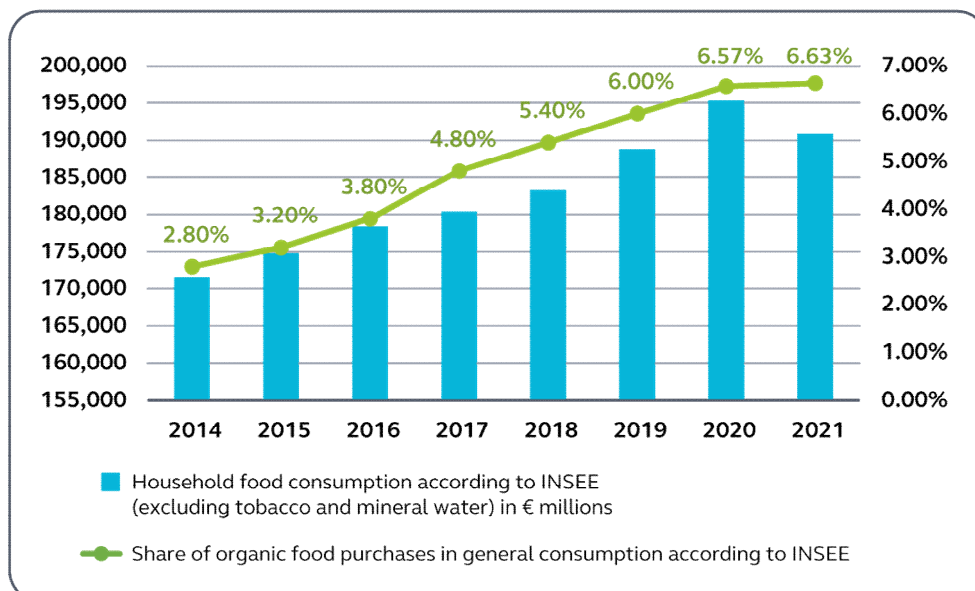


Source: Agence Bio

The growth of organic farming has been driven by sustained demand, with high prices that consumers are willing to pay because of the expected health and environmental benefits, as long as they have the income to pay for it, leaving the question of access to this mode of consumption for lower income households unresolved. The growth of organic production is also the result of an overall satisfactory economic performance comparable to that of conventional farms (including subsidies) over the period from 2015 to 2019, despite lower yields and animal productivity due to the constraints of the specifications². However, like most farms in France, the economic balance of organic farms remains fragile and dependent on public support.

The strong growth in demand and high prices led to large waves of conversions, but, conversely, when the growth in demand began to slow down and the price level to fall, questions emerged as to the sustainability of the economic balance of organic farming. In fact, after the first signs of weakening in 2019, the market experienced a reversal in 2021 with, for the first time, a drop in organic sales in non-specialised supermarkets, which explains why, for the first time in 2021, the consumption of organic products fell by 1.3%. However, in a context where total French food consumption decreased by 2.3% in 2021, the share of organic purchases increased slightly to 6.6% of food consumed in France.

**Trends in food consumption in France
and share of organic food (2014-2021)**



Source: Agence Bio

Beyond a situational effect, following the surge in sales of organic products during the first lockdown in 2020, fault lines are emerging:

- the reduction of the price gap in favour of organic products as sales in non-specialised supermarkets increase (52% of organic sales in 2021);
- the lack of communication on organic farming and its impact on the environment and health, which contributes to the slowdown in demand for organic products in the face of growing competition from less demanding “green” labels, leading, in the face of occasional overproduction of certain products (eggs and milk), to drops in the prices paid to producers;
- insufficient structuring of the organic sectors, with a lack of storage facilities adapted to certain productions (particularly cereals) and the weakness of the organic product processing industries, which explains a large part of the French trade deficit in organic food.

² In order to carry out a comparative analysis of the economic performance of organic and conventional farming, which the available databases did not allow for apart from a few regional monographs, the Court set up a new tool, RICABIO, which cross-references different MAA databases.

In light of this assessment, this evaluation of the French policy in favour of organic farming since 2010 aims to assess its appropriateness to the objectives set by answering four evaluation questions, detailed in Appendix 4 of the report.

Firstly, to what extent does the organic policy meet its objectives of environmental, climate and health protection (question 1.1)?

A support policy justified by the benefits of organic farming for health and the environment

The Court prepares an inventory of the scientific literature addressing the benefits of organic farming, both in terms of reducing the negative externalities linked to other agricultural practices and in terms of its own positive externalities, as this form of agricultural production is based on a ban on synthetic chemical pesticides and GMOs, as well as on a strong limitation of antibiotics in animal husbandry.

Although farmers are generally healthier than the average French person, scientific studies suggest a link between exposure to pesticides and several diseases (cancer, Parkinson's disease, etc.), which, if the link is established, could be recognised as the occupational diseases of farmers. Other studies document a substantial reduction in several diseases (cancer and diabetes, among others) in regular consumers of organic products.

The positive impact of organic farming on the environment is also well documented. While water pollution, mainly due to nitrates, phosphorus and phytosanitary products of agricultural origin, continues to worsen, organic farming can reduce it. This is why water agencies are providing increasing financial support for organic conversions: prevention is much cheaper than decontamination of drinking water. Drinking water companies such as that in Paris have started to finance organic farming in catchment areas.

Organic farming also contributes to improved soil fertility through higher levels of organic matter, as well as improved soil capacity to retain water and sequester carbon. This method of production nevertheless has some limitations, including the use of copper, which is often unavoidable due to the lack of synthetic fungicides and proven technical alternatives, or the deep tillage of the soil, the absence of cover crops or the simple rotations that are always possible or even necessary in organic farming.

Organic farming has a positive impact on air quality, which is comparatively degraded by ammonia emissions from nitrogen fertilisers used in conventional farming.

Organic farming makes a strong contribution to the preservation of biodiversity, with fauna and flora species being on average 30% more numerous and their populations 50% more abundant in organic crops, whereas populations of field birds and pollinators have decreased by more than 30% since 1990 in Europe.

This form of agriculture emits less greenhouse gases per hectare, particularly nitrous oxide, because mineral nitrogen fertilisers are not used, as well as at the farm level, where organic farming seeks autonomy.

The improvement of animal welfare in organic farming is based on its specifications, which prohibit cages and tethered animals, limit stocking densities, prescribe a more natural diet (fodder, mother's milk) and guarantee access to the open air.

Finally, the development of organic farming has a favourable impact on employment in rural areas due to its attractiveness for young farmers: one third of installations are now organic. This production system, which uses more labour, creates jobs in agriculture, as well as in the organic sector.

Overall, although further studies are still needed, particularly on the impact of organic farming on health and climate, the scientific literature recognises its health and environmental benefits. This is also the conclusion of a 2016 Itab-Inrae study on the quantification of its externalities, which should be regularly updated.

The Court then questioned whether the objectives chosen to steer the policy in favour of organic farming (15% of useful agricultural area in organic farming and 20% of institutional catering in organic farming by 2022) were relevant, i.e. measurable and sufficient, to pursue the objective of developing organic farming (question 1.2).

These two indicators have made it possible to formulate a goal for the development of organic farming through the successive Horizon and Ambition Bio plans.

The target for agricultural land, which it should be remembered has not been reached (with only 10.3% of UAA being organic in 2021), seems too general. A distinction by type of production would make it more relevant, given their very different weight in the UAA and the need for the MAA to steer the pace of conversions by ensuring a balance between supply and demand in the sectors.

The relevance of the objective of 20% organic products in institutional catering is not challenged, but the Court notes that its existence for more than a decade has not been accompanied by real follow-up.

The evaluation revealed other indicators that should be monitored: the number of farmers setting up organic operations; the number of organic farms that have been deconverted; the share of organic farming in agricultural and agri-food employment; the self-sufficiency of French organic farming by product category, particularly those in the most deficit (fruit, groceries); its share of food expenditure, etc.

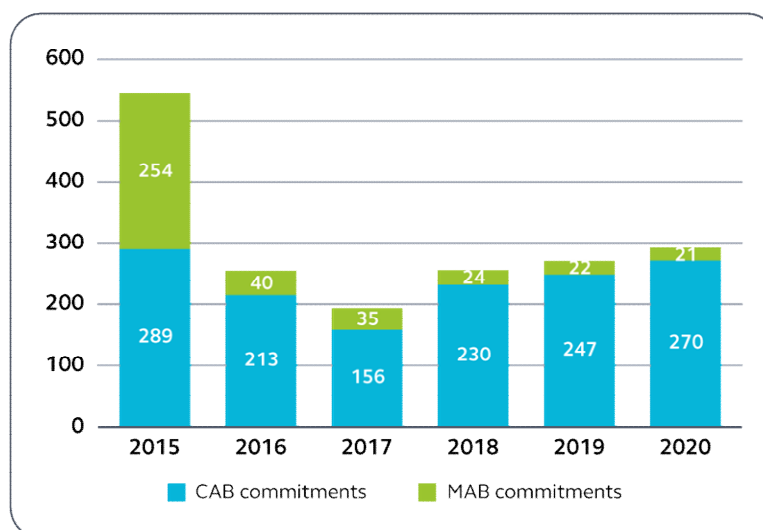
The second evaluation question concerns the means deployed in favour of organic farming: are the support instruments (standards, budgetary aid, taxation, research and development resources) suitable for the stated objectives?

A support policy that does not live up to the government's stated goal

The support measures for organic farming provided for in the successive plans have been based on numerous existing mechanisms.

Revalued upwards in 2015, the organic production aid provided for under the CAP have encouraged conversions, albeit to varying degrees depending on the sector. However, in view of the high demand, the MAA undersized the aid for conversion and maintenance in organic farming between 2015 and 2020. Thus, almost half of the EAFRD organic measures budget was consumed in the first year of the programme (€545 million committed in 2015).

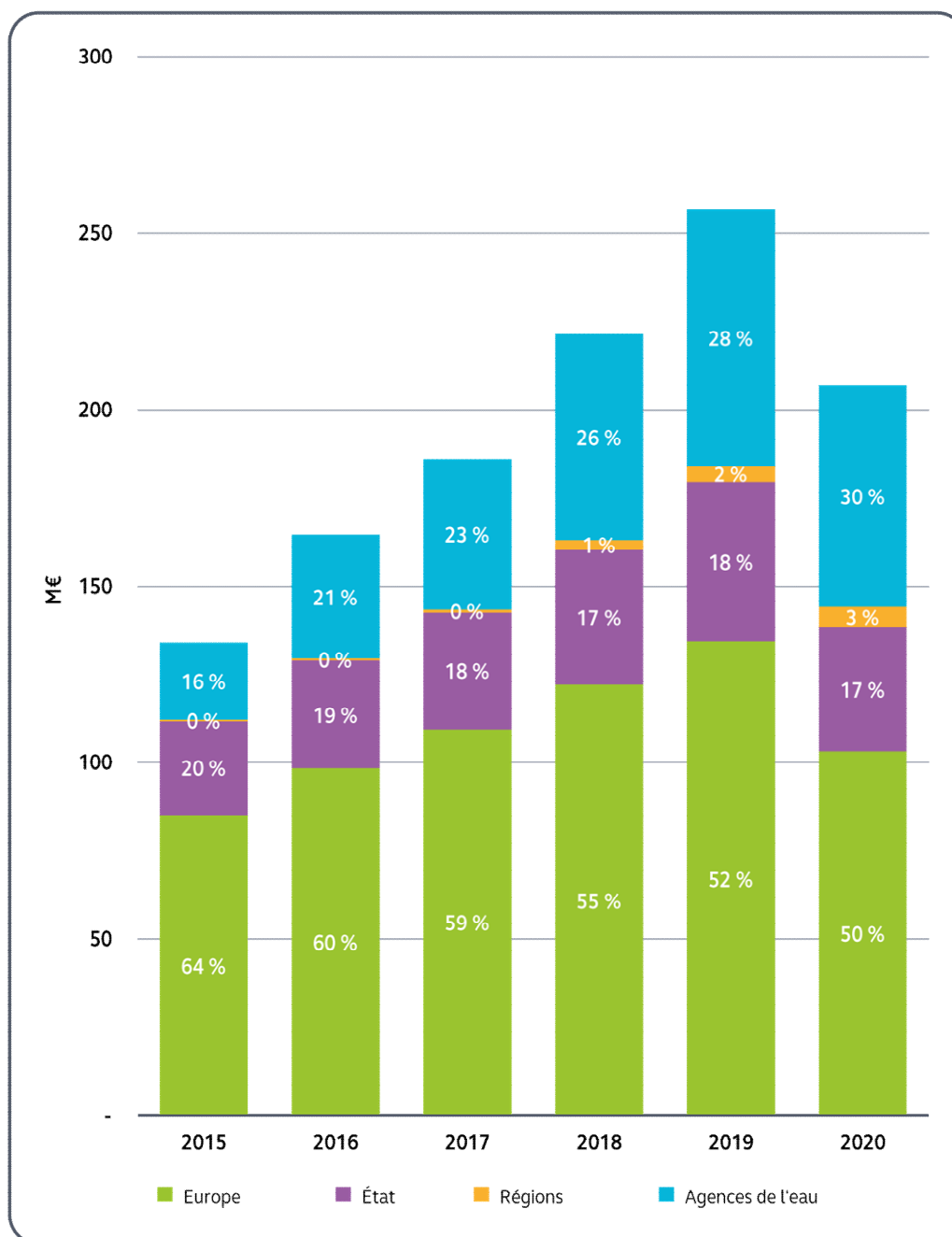
Commitments for conversion aid (CAB) and maintenance (MAB) in organic farming in France, 2015-2020, in M€



Source: Court of Accounts, according to MAA/DGPE

In addition to this lack of funding, which has led to ceilings, there have been delays in payment and particularly high rates of rejection of aid applications for organic farming. In addition to the 50% provided by Europe, the State budget co-finances 17% of EAFRD organic measures, behind the water agencies, which have become the leading national funding body since 2016 with 30% of the total, and ahead of the managing regions, which contribute only 3%.

**Evolution of payments of aid for conversion
and maintenance in organic farming by funding body,
2015 - 2020 (in M€)**



Source: Court of Accounts, according to ASP

This state funding of €35 million in 2020 appears even more limited when compared to the costs of cleaning up water contaminated by phytosanitary products and nitrates of agricultural origin, which are borne by users (in its September 2011 report, the General Commission for Sustainable Development estimates the annual cost of treating annual flows of nitrogen and pesticides at between €540 et €970 million, while cleaning up all groundwater would cost ten times more).

The abolition of the maintenance aid in France in 2017 has slowed down conversions starting in 2020. This decision³ is even less appropriate to the need to remunerate environmental services as the “green payments” of the first pillar of the CAP benefit all farmers equally. For some crops, such as arable crops, organic farms receive the same level of support after five years of conversion aid as conventional farms and therefore receive no compensation for the environmental services rendered. This may partly explain the low number of organic cereal farms.

Although the budgets for conversion aid are increasing by 40% in the next CAP programming period (2023-2027), the objectives of 18% of UAA in organic farming in 2027 (objective defined in the national strategic project – PSN – sent by France to the European Commission at the end of 2021) and 25% of UAA in 2030 (European objective) are far from being achieved. Indeed, not only would the budgets dedicated to agri-environmental and climate-related measures (MAEC) be maintained, but the future “eco-regime”⁴ would also be accessible at the same level of remuneration to farms committed to environmental approaches that are less demanding than organic farming⁵.

Downstream, the processing industries are proportionally less developed in the organic sectors than in the conventional sectors. They are essentially based on a fabric of SMEs anchored in rural areas, which often lack the means of investment to innovate and win shares in growing markets. However, their development is a major challenge in order to enhance the value of organic production and secure outlets, create added value, develop employment and meet the expectations of consumers and catering buyers. Their growth would also be beneficial for the French trade balance, given that two-thirds of imported organic products are processed.

In the face of this crucial challenge, support measures are still insufficient. Thus, the Avenir Bio fund was only endowed with €3.7 million per year on average from 2008 to 2020 to finance structural projects for the organic sector. It was increased by €5 million in 2021, but is not sufficiently accessible to the SMEs concerned.

There are also limited resources for promotion and research in organic farming. However, communication on its benefits is essential to explain to consumers the inherent production costs and therefore the higher prices. It can also contribute to sustaining demand when it declines, which has been the case since 2021, particularly for organic milk and eggs. However, Agence Bio, the main State operator for the organic sector in France, does not have the resources to carry out its duties, particularly for communication. The spring 2022 organic communication campaign showed the difficulty of finding a slogan (“30% more biodiversity, produced with 0% synthetic chemical pesticides, 100% of operators checked at least once a year”) that is acceptable to all players, organic and non-organic, and remains too modest to have an impact on sales. This observation is all the more worrying as the agricultural interprofessions are still not very involved in organic farming, which is still a minority within their sectors, even though the organic sector players are obliged to pay them extended interprofessional contributions (CIE) by virtue of regulatory acts taken by the State.

In addition, organic products are subject to competition from labels, brands or certifications that are less demanding. This is particularly the case for environmental

³ Only 4 countries out of 27 in the European Union, including France, have renounced aid for maintaining organic farming.

⁴ Which will represent 25% of the first pillar of the CAP.

⁵ This orientation of the PSN is nevertheless contested by the European Commission in its letter of observations of 31 March 2022.

certification. Although this approach is, as it stands, much less demanding than organic farming, the Ministry of Agriculture strongly supports it: a tax credit has been granted in 2021 at a level almost equivalent to that of organic farms; in addition, products from farms certified to level 2 or 3 of the environmental certification (level 3 giving access to the rewarding label “high environmental value” or HVE) have been included since 2019 among the quality signs that must represent 50% of the supply of public canteens; finally, in the PSN, the Ministry has proposed giving farms that are certified to level 2+ or 3 (HVE) of environmental certification access to the future eco-regime that is equivalent to that of organic farming. Following a critical observation by the European Commission in its letter of 31 March 2022, the Ministry conducted a review of the environmental certification. The result of this review is not yet known at the time of finalising the report. It has also decided to maintain the same access to the eco-regime (same level of remuneration) for farms certified as organic, HVE and at level 2+ of the environmental certification.

Supporting demand also involves public procurement. However, this is not enough. The target of 20% organic products in institutional catering by 2022, set in 2012 and reiterated by the Egalim law in 2018, is far from being reached; despite the commitment of some pioneering local authorities in school canteens, it has reached a ceiling of around 5 to 6%, i.e. no more than the share of organic products in total consumption (6.6% in 2021).

Furthermore, all professionals agree that the development of organic production requires investment in research and development because of the agronomic requirements of its specifications, the lack of available plant material and the technical impasses that have yet to be resolved due to the lack of use of synthetic inputs. The recent downward trend in organic prices is also leading to a focus on greater technical efficiency to increase productivity and yields. But neither the State nor the interprofessional organisations have so far made organic farming a priority in the scientific work they finance. Although INRAE has been involved in research in this field for more than 20 years, its Métabio programme was only launched in 2020.

While the European action plan for the development of organic farming adopted in March 2021 provides for 30% of the European agricultural and forestry research budget to be devoted to organic farming, the special allocation account for agricultural and rural development (Casdar) allocates barely 10% of its resources to it, and the agricultural technical institutes only 5%. For its part, the Institut Technique de l'Agriculture Biologique (Itab), which does not benefit from inter-professional contributions, does not have sufficient resources to coordinate applied research and experimentation in organic agriculture and has not successfully integrated itself into the network of agricultural technical institutes. Finally, the effort to train and support farmers in their conversion to organic farming, although crucial, is also too limited.

In general, the Ministry of Agriculture's organic farming support policy has ambitious objectives but lacks sufficient resources. Significant results have certainly been achieved, but this policy could have been a greater driving force in the development of organic farming, which it has at best accompanied and sometimes hindered.

The third evaluation question concerns the contribution of public policy in favour of organic farming to the creation of value and its fair distribution between producers and the downstream segments.

The impact on the creation and distribution of value within the organic sector is insufficiently measurable.

The public policy of labelling allows the market to value organic products. This identification with the benefits of the specifications allows for higher consumer prices, which contribute to the economic balance of the organic sector.

However, since the end of 2020, this market balance has been challenged by the decline in demand for certain organic products. This less favourable development seems to be due to situational factors linked to the health crisis but also reveals older questions about the sustainability of the organic balance, with the slowdown becoming apparent in some sectors as early as 2019. Organic farming, which was marginal for a long time, has attracted the interest of a growing number of producers because of the scale of demand, the level of prices and margins. In addition to those who had made a commitment to organic farming, there were also those who were more strictly motivated by economic opportunities. After several years of double-digit growth in supply, the 1.3% drop in organic consumption in 2021 is destabilising the organic market, particularly for milk and eggs, whose production has increased sharply since 2015.

Moreover, although the organic product processing industries are highly value-creating, they employ only 13% of the total workforce in the organic sector.

As regards the distribution of value within the organic sector, the data is incomplete, insofar as the observatory of prices and agri-food margins only began to publish elements in 2020 and moreover only for some dairy products and fruit and vegetables.

Data from FranceAgriMer on price trends for certain products, in particular round tomatoes, suggest that organic producers capture more value than conventional farmers. In addition, margins are increasing more strongly in supermarkets than in specialised organic distribution. This scattered evidence is only an indication of a more favourable value distribution for organic producers.

There is no evidence that, in general, the effect in favour of producers goes beyond a proportional distribution of the value supported by the aid and higher prices. It is also not possible to identify the levels of public aid capture, particularly by specialised organic distribution, which is also a pioneer in taking into account production costs.

Finally, the fourth, more general and forward-looking evaluation question was formulated as follows: to what extent does the policy of supporting organic farming contribute to French agricultural and food autonomy?

A contribution to French agricultural and food autonomy that remains to be defined and modelled

With regard to the objective of agricultural and food autonomy regularly assigned to French agricultural policy and highlighted in the context of the war in Ukraine, organic farming produces two opposing effects.

By its very nature, organic farming seeks to achieve complementarity between animal and plant production at the farm level and is less dependent on imported inputs than conventional farming. Its development thus makes it possible in particular to reduce France's trade deficit in fertilisers (€1.4 billion in 2020).

However, its lower yields, on average 18% according to INRAE, reduce its capacity to contribute to food autonomy and to French exports. While yields in conventional agriculture are rather on the decline, those of organic farms could have potential for improvement, which depends on research and development efforts. Furthermore, studies conducted on this subject, in particular by INRAE and IDDRI, have developed scenarios in which the low yields in organic farming could nevertheless be compensated for by a reduction in waste and by a shift in diets towards more plant proteins.

These studies should be completed, in particular by incorporating the resilience of organic farms in the face of global warming, through a forward-looking examination on the evolution of agricultural and food production systems that would make it possible to reconcile the agro-ecological transition and food security.

Levers to achieve the stated goal

Since 2010, the successive Horizon or Ambition Bio programmes have not made it possible to achieve the sole quantified objectives of 15% organic UAA and 20% organic food in public canteens by 1 January 2022. Now, new objectives have been defined: 18% of agricultural land dedicated to organic farming in 2027 by France and 25% in 2030 by the European Union within the framework of the 2019 Green Deal and the 2020 strategy “from farm to fork”. France must give itself the means to achieve its goal, especially as the balance that has governed the expansion of organic farming over the last 10 years appears to have weakened.

To help achieve these objectives, the Court concludes this evaluation with 12 recommendations, grouped into three main guidelines:

- educate citizens and consumers on the environmental and health impact of organic farming; this manner of supporting demand requires, in addition to interministerial communication campaigns, clarification of the comparative environmental benefits of organic and conventional farming, as well as of the corresponding certifications and labels; this will involve a review of environmental certification and environmental labelling;
- redeploy public support for organic farming; this involves reallocating CAP resources and the national share to organic farming and providing the means for better regulation of supply and demand by relying on the Agence Bio involving all the players in the sector; the interprofessional organisations, which have significant resources thanks to the extensive inter-professional contributions paid by all farmers, should also agree to support this agency, as should Itab in the field of research;
- promote the creation of value within the organic farming and food sector; this involves implementing the Egalim 2 law immediately by strongly encouraging contractualisation between producers, processors and distributors. Indeed, fair and transparent remuneration of products and services rendered as well as a better regulation of supply and demand are necessary to structure the organic sectors, from upstream to downstream, and ensure the sustainability of the organic farming model in complementarity with conventional farming in the agro-ecological transition.

In addition to the recommendations made, the evaluation highlighted the need for a more structured, integrated and ambitious public policy in favour of organic farming.

Recommendations

Guideline 1: Inform citizens and consumers about the environmental and health impact of the organic farming sector

1. Strongly raise the level of requirements for environmental certification, particularly for the High Environmental Value (HVE) label, and make the level of aid proportionate to the environmental benefits of the various labels and certifications (2022, MAA).
2. Establish an interministerial communication plan for the general public on the benefits of organic farming based on scientific assessments of its health and environmental impact (2023, MAA, MTE, MSS, MEN, MESRI).
3. Value all the benefits of organic farming in the calculation method of the future environmental labelling on food products (2023, MAA, MTE).
4. Correct and enrich the public statistical system so as to measure the achievement of the objectives set for organic farming and compare the different modes of agricultural production (2023, MAA, MEFR, FranceAgriMer, ASP).
5. Adopt an interministerial monitoring system to assess the environmental and public health impact of implemented CAP measures (2023, MAA, MTE).

Guideline 2: redirect public support for agriculture to the organic sector

6. For the implementation of the future CAP, introduce compensation for the environmental services of organic farming in the framework of the eco-regime and strengthen the agri-environmental and climate measures (2022; MAA, MTE, MEFR).
7. Strengthen research and innovation resources in organic agriculture and ensure the dissemination of results (2023; MAA, MTE, MEFR, MESRI).
8. Strengthen the coordination role of the Institut Technique de l'Agriculture Biologique (Itab) by enhancing its resources, in particular by significantly increasing the financial mobilisation of the agricultural interprofessions (2023; MAA, MTE).
9. Strengthen and expand the role of Agence Bio and provide it with the corresponding financial and human resources by significantly increasing the financial mobilisation of the agricultural interprofessions and increasing the subsidies for public service costs (2024; MAA, MTE, MEFR, MSS, MEN, MESRI).

Guideline 3: promote the creation of value within the organic farming sector

10. Quickly apply the Egalim 2 law to organic farming and, in particular, encourage contractualisation between producers, processors and distributors (2022, MAA).
11. Ensure the continuation of Fonds Avenir Bio at a level of at least €15 million per year and consider the creation, with BPI France, of an investment fund for the organic agri-food industries and an accelerator for organic agri-food SMEs (2023, MAA, MEFR).
12. Under the aegis of France Stratégie, launch a forward-looking mission on the contribution of organic farming to French and European agri-food autonomy, as well as on the means to strengthen it (2022, France Stratégie, MAA, MTE, MEFR, INRAE, Agence Bio).