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AVOIDING NEGATIVE IMPACTS OF THE NEW EU ORGANIC REGULATION:

**A just transition for Fair Trade
organic producers to access the
European Market**

Position paper



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I. Summary

The Fair Trade Movement works towards a holistic concept of sustainability in agriculture integrating the social, economic and environmental dimensions of sustainability. Supported by funding from the EU, Fairtrade International has developed a comprehensive approach to [sustainable agriculture](#) embracing the concept of agroecology. It includes certified organic agriculture as an important sustainable agricultural practice. For the implementation of agroecology, Fair Trade depends on a thriving organic sector in Third Countries.

As the Fair Trade Movement and in the name of over 830 Fairtrade organic producer groups with about 800,000 member families and more than 50,000 worker families, we welcome and support the objectives of the EU Organic Regulation 2018/848 to strengthen the credibility of organic agriculture and to provide a level playing field.

However, we have evidence that 100% compliance with the rules established by the regulation will lead to severe negative unintended consequences for producers in Third Countries, mostly those from low- and middle-income countries in Latin America, Africa and Southern Asia. Many smallholder farmers and many workers still live in poverty or extreme poverty and rely on access to the EU organic market to sustain their livelihoods. However, there is a real danger that the set rules and timelines to implement the regulation will deprive them of their livelihoods.

As a knock-on effect, the viability of Fairtrade organic supply chains from the Global South to the EU is at stake leaving many economic actors in the EU in uncertainty whether or not to continue sourcing organically grown and fairly traded products. In the end, **the consumer market for organic and fairly traded products may decline instead of grow.**

So far, the EU has failed to consider the specific negative impacts of the EU Organic Regulation on these farmers and workers in Third Countries. Hence, we call the EU -in dialogue with Third Countries- to:

- **simplify, adapt and clarify the applicable rules, notably:**
 - a) **the concept of Groups of Operators and how it may be brought in line with national regulations;**
 - b) **the rules for permitted substances; and**
 - c) **the applicable processes with results from residue testing and with identification of high-risk countries/products**
- **extend the transition timeline until 15 months after simplification, adaptation and clarification of the rules, but at minimum until 31 December 2025**
- **provide support for producers; to be identified in dialogue with Third Countries.**

II. Anticipated negative impact: A “European market access crisis” for Third Countries

The EU Organic Regulation brings a multitude of challenges to all organic producers in Third Countries. Alone more than 50% of Fairtrade organic Small Producer Groups will need to adapt to the concept of Group of Operators, which is only one of the many changes required. The new requirements entail a combination of legal adaptations, stricter production and management rules, and audit rules, in combination leading to higher costs for compliance and certification, and higher risks of losing organic consignments due to residue testing results. **The business viability and supply reliability of Fairtrade organic products is at stake.** For more detailed and quantitative information on the most important Fairtrade organic products please consult the annex to this paper.



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For producers, a short-term challenge will be to overcome compliance issues and bear the additional costs. There is no obligation for buyers to factor in these costs, so producers need to bear them alone. Thus, **many Fairtrade organic producers may stop their EU organic certification and become decertified as «EU organic» as early as 2024-2025.** This will also massively impact Fairtrade organic supply chains and thereby heavily affect the EU Fairtrade organic market and their economic actors. Mid-term, additional Fairtrade organic supply chains are likely to reduce or drop out whenever residue testing leads to sudden trade blockages or additional costs.

Further increasing these risks is the combined effect of producers having to adapt simultaneously to a multitude of regulatory changes due to the EU Deforestation

Regulation, the EU CSDDD, and the EU Forced Labour Regulation. Experience shows that the larger and the more integrated with the supply chain a producer is the more likely complex compliance challenges can be overcome: the smaller producer groups are likely to lose out.

The combined regulatory impact is happening within a time of a highly precarious economic situation for Fairtrade organic producers due to long-lasting COVID-19 impacts, the Ukraine war implications, and the ever-increasing costs to adapt to climate change.

In this context, new and additional challenges are detrimental. Fairtrade organic producers are forced to spend time and money to set up new legal entities and adapt to fully EU-centric production rules that will do nothing to improve their resilience against the above-mentioned negative impacts.

All the above will likely have a **significant effect of less supply and higher prices of Fairtrade organic products to the EU market. Buying Fairtrade organic products will become less affordable for EU consumers. Less demand will cause increased poverty in the Global South.** The unintended consequences of the EU Organic Regulation will thus hinder the transition to more sustainable farming practices in low and middle-income countries, with detrimental effects on biodiversity, people's health and livelihoods. The EU may counter these consequences by providing incentives to continue with EU organic certification and to stimulate market demand for Fairtrade organic products.

III. Fair Trade demands

Against this evidence, the Fair Trade Movement believes there is an urgent need to introduce measures to mitigate, if not avoid, the negative impacts that the EU Organic Regulation will have on producers in Third Countries. Considering that, as the Fairtrade movement, we are requesting the EU take the following measures:

I. Simplification and clarification of rules

To this date, there are several aspects of the regulation that are still unclear:

a) Group of Operators:

Producer groups at large struggle to understand this concept and the various constraints it puts on their current structure. The majority of small producer organisations, many of them certified for long, do not seem to meet the new definition of a "Group of operators". Adaptation to the new rules is complex and, in most cases, detrimental to the farmers' social and commercial interests. The risk of wrongly understood adaptations is high and will put producer groups in jeopardy as regards continued certification. The time-intensive assessment regarding which legal structures are available and suitable in a given jurisdiction is left to producers, as well as being subject to timelines by local authorities for legal registration.

b) Permitted substances and products used in organic farming:

The new rules require even traditionally used local substances for plant protection approved by the EU to be permitted in organic farming. The need for and process to register new substances is not understood by producers nor producer countries' governments and looks very complicated and time-consuming. The majority of currently used plant and microorganism-based natural pesticides could potentially not be used anymore if the principle of 100% compliance was adopted. These threats to the technical feasibility of organic production can be rectified by issuing a simple procedure that does not force producers or their governments to submit technical dossiers per material. Until such a practical procedure is in practice producers urgently need reassurance from the EU that currently used materials remain compliant.

c) Residue testing:

Given constrained lab accessibility and capacity the feasibility to provide the required residue test results before import into the EU becomes a massive business risk for producers and exporters to the EU. The unclarity of applicable residue thresholds and de-classification procedures in case residues are found add enormous legal risks. For perishable products, rules are needed that do not lead to trade blockages while the physical trade happens. The new rules will lead to commercial tensions and economic losses that producers will not be able to bear in case they are made liable after shipment.

These, and other parts of the new requirements, need to be clarified by the EU as soon as possible, in great detail, and ideally through engaging with the relevant economic actors and Third Countries. Guidance notes, detailed and easy-to-understand FAQs for Third Country stakeholders, and where necessary, secondary acts may be the appropriate ways to provide clarification and simplification. The earlier the rules are clarified, simplified and adapted, the earlier a transition period date may be set with confidence.

II. Extension of transition periods

a. Certification bodies to be recognised

The current very short transition timelines oblige recognised organic certification bodies to start compliance audits very soon and often in mid-season although producers are not ready with the adaptation measures needed for them to comply. The risk of de-certification is high and would be an acute consequence.

b. Complete adaptation for Producers

An extension of the transition period at least until 31 December 2025 is needed. To date, structural and production techniques adaptation have been properly assimilated, neither by certification bodies nor by producers. Already, the creation of a Group of Operator entities with legal status is a time-consuming exercise that requires a generous extension of transition periods, in a similar way as EU-based producers had a longer transition period. The required extended date of 31 December 2025 makes only sense if the many

pending questions have been clarified by 30 September 2024. Otherwise, more extension is needed to avoid hasty audits meeting unprepared producers.

III. Support measures to comply with new requirements and to incentivise organic production

To support a just implementation of the regulation and to avoid negative consequences several support measures must be assessed and implemented urgently. The Fair Trade movement suggests the following measures to be included in a support package:

- a) Issuance of simple technical guidance adapted to production realities by producers -in particular small farmers and their organisations- in Third Countries to better understand the new regulation and how to implement new requirements in a cost-efficient manner
- b) Issuance of simple technical guidance for producers and certification bodies that recognise the different and diverse situations and challenges faced in Third Country supply chains
- c) Establishment of helpdesks at the European Commission and EU delegation level in the respective Third Countries to advise on practicable and long-term viable solutions to operate in compliance; where possible coupled with monetary support to cope with adaptation costs
- d) Revision of the EU organic plan to include Third Countries and launch of new measures to incentivise the production and processing of organic products in Third Countries

We encourage the EU to launch a dialogue with affected stakeholders and with Third Countries to identify the most needed and effective support measures.



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IV. Conclusion

The Fair Trade movement works towards a holistic concept of sustainability in agriculture integrating the social, economic and environmental dimensions of sustainability. Supported by funding from the EU, Fairtrade International has developed a comprehensive approach to [sustainable agriculture](#) embracing the concept of agroecology. It includes certified organic agriculture as an important sustainable agricultural practice. For the implementation of agroecology, Fair Trade depends on a thriving organic sector in Third Countries.

According to our analysis Fairtrade organic supply chains in the EU -and with them the livelihood of about 800,000 farming families and 50,000 worker families- will only thrive if the EU takes the following accompanying measures -in dialogue with Third Countries- to implement the EU Organic Regulation:

- **simplify, adapt and clarify the applicable rules, notably:**
 - a) **the concept of Groups of Operators and how it may be brought in line with national regulations;**
 - b) **the rules for permitted substances; and**
 - c) **the applicable processes with results from residue testing and with identification of high-risk countries/products**
- **extend the transition timeline until 15 months after simplification, adaptation and clarification of the rules, but at minimum until 31 December 2025**
- **provide support for producers; to be identified in dialogue with Third Countries.**

For more information, please contact:

- *Virginia Enssle (Fair Trade Advocacy Office, enssle@fairtrade-advocacy.org)*
- *Matthias Kuhlmann (Fairtrade Germany, m.kuhlmann@fairtrade.net)*

Annex

Facts and figures for some relevant Fairtrade commodities

Coffee

- More than half of all Fairtrade Coffee small-scale Producer Organisations are also certified organic.
- About 140.000 MT of Fairtrade coffee is organic. This represents about 70% of all sales, with an increasing trend towards 75%.
- More than half of all Fairtrade Organic Coffee small scale Producer Organisations (more than 230 producer groups) do currently not meet new EU Group of Operators requirements and need to adapt their legal structure. All organisations need to adapt and cope with higher costs.
- This means that an estimated total of almost 300.000 family members (organic + non-organic) are affected.
- A majority of Fairtrade organic Coffee small-scale Producer Organisations will need to find ways to separate organic and non-organic members.
- About 25 of the Producer Organisations have more than 2000 organic members. They are located mostly in Africa (Ethiopia, Tanzania and Kenya) and represent a total of more than 200.000 farmers. They are economically the most impacted actors as they will face a multiplication of costs for maintaining organic certification and complex splits and adaptations to the new rules.

Cocoa

- About 60% of Fairtrade Organic Cocoa small-scale Producer Organisations do not meet new EU requirements.
- A majority of Fairtrade organic Cocoa small-scale Producer Organisations are composed of organic and non-organic members, which would have to segregate their membership or even split the organisation.
- More than 10 of the Producer Organisations in Africa and Latin America have more than 2000 members and hence are too big to match new requirements. They represent around 45'000 families.

Bananas

- About 90% of the Fairtrade Organic Banana small-scale Producer Organisations are estimated to not meet new EU requirements.
- The main challenge is that many members have more than 5 hectares of agricultural land and have an organic turnover of more than €25.000 annually due to the inherent high costs of banana production involving permanent and temporary workforce.
- Many Fairtrade organic Banana small-scale Producer Organisations have also non-organic members.

Facts and figures from producer-centred research

Rise in annual organic certification costs

- Overall, there is an estimated increase in costs for maintaining the EU organic certification, with a variation mostly between an estimated 50% to 200%.
- These costs are on the side of:
 - Need to create multiple smaller entities and comply with the maximum number of members
 - New/higher costs for product sampling and analysis for residue testing purposes
 - Higher re-inspection rates from certification bodies

Rise in annual costs to maintain certification

It is expected that annual compliance costs for the EU Organic Regulation will increase by 20 to 50%, also due to the additional costs for the internal control system and for documentation and administration. This doesn't yet factor in additional compliance cost increases to comply with EUDR, EU CSDDD and other applicable new regulations.

Adaptation decisions needed

Small-scale Producer Organisations –and also plantations- have to decide via their democratic structures and processes whether to continue or not with organic production and certification according to the EU Organic Regulation. 20-25% of interviewed groups indicate that they may stop with EU organic certification. 75-80% plan to adapt, albeit about half of them with severe challenges.

Certified Fairtrade organic small-scale Producer Organisations who do not meet the EU Groups of Operators definition cannot be EU organic certified as a group as of now. This will likely be a critical non-compliance issue leading to non-certification. Individual certification of each farm is not a viable option for most small-scale Producer Organisations and almost all of their members.

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