

# Asia's Organic Sprouts

Asia has huge potential for developing organic agriculture, but protectionism, conflicting industry standards, and cumbersome regulations could stand in the way

BY William Branigin



While market growth for organic products in North America and Europe has slowed because of the recession, Asia is emerging as a potential bright spot on both the supply and demand sides of organic agriculture.

But this enormous potential is hindered by various obstacles,

including protectionism, cumbersome regulations, complex certification requirements, and government emphasis on other priorities, experts say. As a result, Asia's organic agriculture is still struggling to outgrow its "niche market" image.

Driven by factors as diverse as Western tourists' quest for safe food in Thailand, Chinese women's desire for

**CERTIFIED ORGANIC** A grocery clerk stocks shelves in the organic produce section at the Whole Foods Market in the United States. Differing standards for organic food make international certification problematic.

PICTURE CREDIT: IMAGINECHINA

healthy skin-care products in Shanghai, and a campaign by Indonesian student activists to declare Bali an “organic island,” organic agriculture in Asia has grown significantly in recent years.

Proponents point to organic farming’s benefits in reducing poverty, fighting climate change, improving the health of farm workers, and other social and environmental considerations.

According to the International Federation of Organic Agriculture (IFOAM), the German-based umbrella organization of the global organic movement, investments in agriculture are four times more efficient in fighting poverty and hunger than in any other sector, and investments in organic agriculture are five to eight times more efficient.

“Asia has a good opportunity to go organic,” IFOAM President Katherine DiMatteo says in an interview. “A number of government and private sector organizations in Asia are supporting conversion to organic practices. I think that there’s definitely a very strong future for Asia in both production and on the retail side.”

Organic farming can increase harvests through practices that promote biological processes and local resources over expensive toxic agro-chemicals, IFOAM says. These practices can bring back into production land that has been degraded by unsustainable farming practices, severe drought, and soil erosion. And they are readily adoptable by the world’s 400 million small and relatively poor farms, which are the key to local food security in the developing world.

IFOAM would like to see institutions such as multilateral lenders incorporate organic farming in their agricultural development policies to a greater extent when it comes to credits.

“One challenge is that a lot of people are still pushing for a green revolution, an old way of doing things” that depends on pesticides, chemical



fertilizers, genetic modification, and high energy use, says Markus Arbenz, the executive director of IFOAM. Among them, he says, are the multinational companies that hold patents on seeds and pesticides.

“Organic is a very small segment of agriculture around the world,” DiMatteo says. “There is no place in the world where all farming is done organically.”

Lending institutions, therefore, “have been geared toward non-organic agriculture,” she says. “They are beginning to see the advantages of organic...but everyone still sees organic as a niche. It’s small compared to the levels of support that non-organic agriculture gets.” She adds, “There are not that many banks that have a mission to be on the cutting edge of change.”

#### ORGANIC GROWTH

Around the globe, at least 35 million hectares of land are managed organically by more than 1.4 million producers, according to the latest annual survey by IFOAM and the Research Institute of Organic Agriculture, a Swiss-based organization known by its German initials as FiBL. In addition, there are

**FOOD SAFETY** A food market in Nanjing, Jiangsu province in the People’s Republic of China (PRC) sells organic produce such as cabbage. Contributing to the growth of domestic organic markets in Asia has been a series of food scares, notably the discoveries in 2007 and 2008 of pet food, animal feed, infant formula, milk, and eggs that had been contaminated with melamine from the PRC.

430,000 hectares of certified organic aquaculture. The survey, published in mid-February, is based largely on data from 2008. In 2007, there were 32 million hectares of organic land and 1.2 million producers, according to last year’s report.

Europe, Latin America, and Oceania ranked as the regions with the largest areas of organically managed agricultural land, with Australia topping the list, thanks to its vast organic grasslands for grazing. The People’s Republic of China (PRC) and India ranked third and seventh respectively among countries with the largest areas of agricultural land under organic management.

In Asia, the total organic area amounts to nearly 3.3 million

**HOLISTIC FARMING** A farm worker harvests cauliflower at an organic farm at Kathwada village, some 30 kilometers from Ahmedabad in India. Proponents point to organic farming's benefits in reducing poverty, fighting climate change, improving the health of farm workers, and other social and environmental considerations.

hectares, or 9% of the world's organic agricultural land, the FiBL and IFOAM study says. The PRC accounts for nearly 1.9 million hectares, and India 1 million. In addition, organic wild collection areas play a major role in both countries. Tiny Timor-Leste has the highest share (7%) of organic land compared with its total farmland.

Although fresh produce and field crops with low value-added processing accounted for most of the organic output, production of final processed products was reported to be growing, as was aquaculture (primarily shrimp and fish) in countries such as the PRC, Indonesia, Malaysia, Myanmar, Thailand, and Viet Nam.

Imports have helped drive growth in the organic sector, with local markets taking off in a number of Asian cities. Bangalore, Bangkok, Beijing, Delhi, Jakarta, Kuala Lumpur, Manila, and Shanghai are now known as organic hot spots where domestic consumption of organic products is increasing, especially among newly affluent consumers and *Development Asia* readers.

In 2008, new product launches of organic food and beverage in Asia jumped 175% from the previous year, compared with 90% in North America, an industry survey showed.

"A lot of the production under certified organic labels is sold to the United States and Europe, especially in crops that are not as easily grown in our geographic locations," IFOAM's DiMatteo says. In addition, "there is a strong movement in each of the



PICTURE CREDIT: AFP

countries to also develop domestic markets for their products." In the PRC, for example, she notes "a large increase" in the amount of land in organic production.

"The US and European markets are becoming somewhat stagnant right now" while demand in major Asian cities is growing, DiMatteo says. "We're seeing a shift in the largest growth potential in production and markets.... Definitely the domestic markets in Asia are where the growth is, even for US and European producers."

For the time being, however, even though trade within the region is growing, it is still dwarfed by exports to North America and Europe. That is where the bulk of consumer demand for organic products has been concentrated, accounting for as much as 97% of global revenue, according to Organic Monitor, a London-based research and consulting company.

Through most of the last decade, global demand for organic products grew steadily, with sales rising by more than \$5 billion a year. In 2008, worldwide sales reached \$50.9 billion, doubling in value from 2003, Organic Monitor reports. The company expects growth to continue in the sector, although at lower rates than previous years because of the international financial crisis. It projects that 2009 could be the first year of single-digit market growth. In the United Kingdom, for example, a reduction in consumer spending and a drop in industry investment resulted in just 2% growth in the organic sector in 2008.

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In today's global economy, food scares anywhere in the world tend to raise the question in consumers' minds: "Is the food I'm eating safe enough?"

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— 2008 report by the United Nations (UN) Conference on Trade and Development and the UN Environment Programme

"Whenever there's a food scare," she DiMatteo says, "it does impact organic, but usually in a positive way because we have usually addressed most of those issues" related to the problem, including traceability and the types of ingredients, preservatives, and chemical additives employed.

"In Asia, there's a big concern for food security," says Arbenz. He notes that tourists often gravitate toward organic food in Asian countries, believing it to be safer.

**TOUTING ORGANIC'S BENEFITS**

For Asian farmers, "organic agriculture contributes to poverty alleviation," Arbenz says, with producers usually getting higher prices for certified organic commodities ranging from a few percent to two or three times as much. Generally, he says, IFOAM advises that a wise strategy is not to exceed a 30% price premium.

In the Philippines, the nongovernment organization MASIPAG has shown that after 2 or 3 years of organic development, farmers have access to better food, more diverse crops, and higher incomes than they would if they

had stuck to conventional farming, Arbenz says.

In a 2008 report, the United Nations Conference on Trade and Development (UNCTAD) and the UN Environment Programme (UNEP) states that adoption of organic farming practices can help prevent the estimated 3 million cases of acute pesticide poisoning and 300,000 deaths that result each year from the use of chemicals in conventional agriculture.

"Due to expanding markets and price premiums, recent studies in Africa, Asia, and Latin America indicate that organic farmers generally earn higher incomes than their conventional counterparts," the report says. "Modern organic techniques have the potential to maintain and even increase yields over the long term while improving soil fertility, biodiversity, and other ecosystem services that underpin agriculture."

The climate also benefits, the report states, with studies showing that organic farming uses 20%–56% less energy than conventional agriculture and sequesters 3–8 more tons of carbon per hectare.

"And these days we can't afford climate-damaging strategies any more," Arbenz says.

Yet, despite the organic sector's strides in Asia, the share of total agricultural land devoted to organic farming amounts to only 0.2% in the region, compared with 0.6% in North America and 1.7% in Europe, the latest FiBL/IFOAM survey shows. And the sector continues to face a host of challenges, many of them of its own making.

**CONFRONTING THE OBSTACLES**

"The organic movement may be its own worst enemy," writes Ong Kung Wai, an expert on organic agriculture from Malaysia, in last year's survey, *The World of Organic Agriculture 2009*.

Despite broad agreement that trade in organic products should receive preferential treatment, he notes that three of the 12 private organic sector

associations participating in a recent organic conference in Sarawak, Malaysia did not support equivalence recognition, a means of reducing technical barriers to trade in organic agricultural products.

An international task force set up by IFOAM, UNCTAD, and the Food and Agriculture Organization of the United Nations (FAO) had worked from 2003 to 2008 to produce international guidelines for determining equivalence of organic standards, thereby removing trade barriers resulting from disparate organic regulations, private standards, and certification requirements.

While public sector officials at the Sarawak conference accepted equivalence recognition for imports, “some organic activists are proving to be more nationalists than social environmentalists,” Kung Wai writes. He laments that private sector associations from Japan, the Republic of Korea, and Taipei, China refused to support equivalence recognition, disappointing those who hoped Asian countries would show mutual respect for the different ways that organic agriculture is practiced in the region.

“Sadly, the major focus of government initiatives in the region is on standards and certification instead of extension, training and product development,” Kung Wai says.

Although many problems persist, Kung Wai sounds a more optimistic note in the latest report, *The World of Organic Agriculture 2010*, saying that the sector’s development in Asia “may be turning a corner.” He detects greater cooperation among stakeholders “after years of internal squabbles” and points to the expected formation of “a regional working group on market development, including harmonization and equivalence in organic norms.”

A major challenge, Kung Wai writes, is that trade of organic products within Asia—and thus the development of domestic markets—are being hampered by varying regulations and

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standards, most of them geared to the import requirements of the United States and Europe.

While Asian output has improved, the range of local products remains limited, product development costs are still a major constraint, and conversion to organic operations has often proved too demanding for private producers.

Moreover, efforts in some Asian countries to protect their own organic markets appear to be having the unintended consequence of limiting their development.

In refusing to accept equivalence recognition, associations in Japan, the Republic of Korea, and Taipei, China “didn’t want to give up that protectionism,” DiMatteo says. “Their attitude was that their own laws would help develop their domestic production... Definitely protectionism was a very large piece of it.”

But that stand “diminishes trade, regional or otherwise,” she says. “You have to get the domestic market built up to meet the demand, and the demand will not expand if you have a limited number of products.”

So far, the US and Canada are the only countries that have negotiated an

equivalence agreement. “The next hurdle is international equivalency,” DiMatteo says. “It’s certainly much harder...”

There is not yet a regional agreement among any of the countries in Asia, and I don’t see changes in the attitude in the Republic of Korea or Japan.”

Robert B. Anderson, president and founder of the Pennsylvania-based firm, Sustainable Strategies—Advisers in Food and Agriculture, concurs. “The consumer market has to be built,” he says, and imports play a large part. Then, as the domestic organic market develops, local producers can begin to convert their own output to meet the demand.

#### **GRAPPLING WITH CERTIFICATION**

A related issue is certification, which DiMatteo calls “an excellent tool,” but one that can be quite costly. It also represents a double-edged sword.

“More and more governments in Asia are developing organic certification and accreditation programs and standards requirements, and they’re spending their time on that,” DiMatteo says. “But at the same time, they’re not allocating money in their budgets or creating programs to train their extension agents to understand what these standards are and apply them to real-life situations and develop the farming system with the farmers.”

Asia had at least 166 certification bodies in 2009, more than 80% of them in just four countries: the PRC, India, Japan, and the Republic of Korea.

FAO, IFOAM, and UNCTAD have a project called Global Organic Market Access, aimed at working with governments to choose one set of standards and have more open access to multiple countries. At present, producers often have to meet several different standards at the same time, which raises costs that then get passed on to consumers.

“That discourages people from getting certified to multiple standards and



**BIG PRODUCER** A farmer grows cabbage using organic farming methods in India. The country ranked fourth among countries with the largest agricultural areas under organic management.

looking for different markets," DiMatteo says. "It's a barrier for people to get into organic, and it's a barrier for trade."

In the Republic of Korea, for example, Anderson says, certifiers who are already globally recognized still have to be accredited by the government in Seoul, "a protracted and expensive process."

Anderson, an authority on organic farming who advises the US Department of Agriculture (USDA) and the State Department on trade

issues, sees another challenge in the fundamentally different philosophies behind certification in the US and Asia.

The US certifies that food is organic based on the way it is grown; whereas, many Asian countries apply strict measurements, with infinitesimal amounts of pesticide or genetically modified organism (GMO) residue disqualifying it from certification.

While the USDA seal is recognized around the world, "all of Asia is challenged by wanting 0% residues for GMOs," which is realistically "unattainable" for many agricultural products, such as grains, that are grown in the US, Anderson says. "The reality is that with the prevailing westerly winds, these very small residues do show up in all foods, organic and otherwise."

"Our argument is: you may not detect residues in a finished product, but that does not make it organic," he says.

In the Republic of Korea especially, the zero tolerance for GMOs has made it very difficult to import multi-ingredient organic products. Japan has zero tolerance for pesticides.

"One has to wonder how much of it is well intended and how much is protectionist," Anderson says.

Other mechanisms are more subtle. In the PRC, for instance, there are relatively few restrictions on importing organic food, but government regulations stipulate that these products may not say "organic" in Mandarin on their labels, Anderson says.

"You can say organic in English, but not in Mandarin." ■